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UNIFIED APPROACH TO DEVELOPMENT ANALYSIS & PLANNING

CASE STUDY: PHILIPPINES

by

College of Public Administration
University of the Philippines
Manila

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PREFACE

The United Nations Research Institute for Social Development, the United Nations Social Development Division and the United Nations Economic Commission for Latin America are jointly conducting a study on the "Unified approach to development analysis and planning", in accordance with Economic and Social Ccuncil Resolution 1494 (XLVIII) and General Assembly Resolution 2681 (XXV). As part of the research for this project, a series of country case studies were commissioned, with the financial support of the Canadian International Development Research Centre.

The present study of the Philippines has been undertaken by a team of the College of Public Administration, University of the Philippines. It provides a critical analysis of the strategies and problems associated with the need for a "coordinated and integrated development programme" and a discussion of plan formulation and implementation in a "united-enterprise economy".

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Part I

INTRODUCTION

Objectives of the Study

Development To-date: An Overview

INTRODUCTION

The peculiar nature of change in our time lies in its being characterized by urgency and dissension, thus necessitating direction and deliberate planning in order to hasten development. This situation is hardly unique in developing countries, but is particularly descriptive of a mixed-enterprise economy, such as that of the Philippines, where the so-called "atmospheric theory" of government and business relations is almost taken for granted. Thus, in the Philippine setting, for sometime now planning has come to be considered a sine qua non for strengthening the market system and for infusing a nationalistic and welfare-oriented flavor in its development efforts.

The Committee on Economic Planning and Implementation of the on-going Constitutional Convention, through its Subcommittee on Development Goals and Economic Policies, subscribes to the idea that development planning is the indispensable strategic approach which would ensure the "economic and social well-being" of the Filipino people. The Committee is persuaded as to the need for a "continuing coordinated and fully integrated development program," taking into account "sound economic, monetary, fiscal, commercial and technological policies, /and/ maximum and efficient utilization of human and natural resources with due regard to human dignity. . . ."

Development planning as a strategy for development, however, has up to now many admitted shortcomings; its general weaknesses and inadequacies have in fact been extensively noted,[1] and at times its very usefulness or necessity has been called into question. These limitations, which affect development planning and analysis, have been identified and categorized into the "triple crises" relating to: (1) the basic philosophy or final goals of planning, (2) policymaking and its administrative and substantive aspects along with the problem of integrating policy formation and the decision-making process, and (3) the methodology or planning techniques criticized for alledgedly being mostly of economic origin, and therefore faulted with shortcomings especially when dealing with non-economic problems.[2]

Objectives of the Study

The task of this paper is to review the Philippine experience with development policy and planning, in order to help illuminate the question of the possibility of a "unified approach". The study was commissioned by the United Nations, which provided the above-mentioned "triple crises" and other propositions as a frame of reference.

The study team addressed themselves to this framework, but focused on what it felt were the most relevant aspects or areas of Philippine experience and the methods of analysis appropriate for each area. Within the specific framework adopted by the team, some latitude was also given to each member in

organizing and interpreting information in their respective areas of investigation.

The study is divided into five substantive parts. The succeeding part is a discussion of the general environment, government and politics of the country, and the social trends and forces within it. The organization for planning is next discussed, highlighting the central machinery for the process. A two-part critical analysis of development policy and planning then follows. The focus of this analysis is on three forms of a development plan over which the government has direct or indirect control: namely, the fiscal plan, the government budget and the programs of legislation, and policy formulation and implementation. This section also identifies critical factors directly involved in the planning and policymaking processes. Finally, to illustrate and further explore certain of these patterns, problems and factors, a case analysis of a particular socio-economic sector, housing, is presented in the concluding section.

Development To-date: An Overview

A preliminary grasp of the relevance of the subject under study should be provided by an overview of the current situation in the Philippines. The decade of the 70's has ushered in dramatic developments in the political, social and economic life of the nation. These include a rising awareness and active participation of the youth of the land in reform movements and the revision or changing of the 1935 Constitution in order to meet the requirements of an independent state. A trouble-ridden Constitutional Convention has been in session since June 1971, with a membership of 320 delegates mirroring in their conflicting ideologies the self-same divisions which rend the nations almost apart. The de facto devaluation of the peso relative to the U.S. dollar as well as the balance of payments problems are reflected in the ever-increasing cost of living. The international economic instability brought about in turn by the devaluation of the U.S. dollar further aggravated the domestic price instability problem, requiring the immediate restructuring of the public debt as well as private external obligations. There also appears to be a serious threat to peace and order with the seeming resurgence of communist activity in the country. This is compounded by natural disasters which now adds to the financial burden of an already impoverished government.

The Philippine Constitution is silent on how economic affairs should be conducted. There are provisions that define the rights of Filipino citizens regarding property, natural resources, and public utilities; but generally leaves the conduct of economic affairs to the discretion of policy-makers and private initiative. All these basic provisions have been receiving scrutiny.

Meanwhile, emphasis has been placed on the role of government as one primarily geared "to provide the infrastructural and other similar program and project supports, formulate and adopt public policies that will render highly favorable the operation, especially insofar as business-government relations are concerned.

Within this framework planning has been described as little better than "an academic venture" with very little impact on decision-making or action. In response to this condition of economic affairs, there have been persistent proposals in the past, and more recently in a joint resolution of Congress, for the creation of a national economic development authority (NEDA) empowered to plan and coordinate the nation's economic activities. The creation of NEDA will signal a significant deviation from the laissez-faire doctrine of development heretofore defining the practice in the country; but the failings and shortcomings of free enterprise have been well-nigh recognized as responsible for the

widening gap between the few rich and the many poor, leading to an injudicious misallocation of limited foreign exchange and credit resources.

On the whole, however, the country's economic performance, claims to the contrary notwithstanding, has displayed some viability and flexibility amidst these imbalances; and indications show discernible absolute strides in certain sectors despite the seemingly piece-meal and "muddling through" approach to long-run as well as short-run economic problems. (See Appendix 1 and Appendix 2.) But despite the progress attained, the all too familiar and oft-commented problems inherent in most developing economies, though in varying intensities, persist.

The high rate of unemployment and underemployment, low per capita income, a dualistic economy, unequal distribution of income, instability of the economy (and the consequent emotional and nationalistic tensions related to it), and balance of payments problems (and consequent inflationary pressures), are serious problems which confront the Philippines. Meanwhile, the population is growing at the rate of 3.1 percent annually, accompanied by a high dependency ratio.

1 See in particular, Albert Waterson, Development Planning: Lessons of Experience (Baltimore: Johns Hopkins University, 1969); Gunnar Myrdal, Asian Drama: An Inquiry Into the Poverty of Nations (New York: The Twentieth Century Fund, 1968) 3 vols., particularly Vol. 3. See also Erwin Kristaffersen (ed.), One World Only: Social Aspects of Economic Development Planning in Asia, Report 5 (Bangkok: Friedrich-Ebert-Stiftung, January 3-9, 1971).

2 See UN Research Institute for Social Development, "Outline for Studies of National Experience" (Sept. 16, 1971). (Mimeographed)

Part II

ECOLOGY, GOVERNMENT, AND POLITICS IN THE PHILIPPINES

Governmental Institutions and Politics

Social Groups and Influence

- Agrarian Labor
- Commercial and Industrial
- Religious
- Protest Movements
- Professionals
- Ethnic and Regional

Enlistment of Popular Participation

Public Discussion of Alternatives

Concluding Note

ECOLOGY, GOVERNMENT, AND POLITICS IN THE PHILIPPINES

The Philippines is an archipelago composed of 7,100 islands located in Southeast Asia. It has a land area of 297,410 square kilometers which is concentrated in eleven principal islands. This year the Philippines has an estimated population of 38 million growing at the rate of 3.1 percent (average intercensal rate of growth).

Like any developing country, its economy is characterized by the dominance of agriculture. Two sectors constitute the agricultural economy, namely, the food crops for domestic consumption and commercial-crops for exports. The farm population of the country is 61 percent of the country's labor force and contributes about a third of the national income. The average Filipino in a rural area receives an income of ₱989 a year, and in an urban area, ₱2,427.

The Philippines has been influenced considerably by Western institutions particularly because of the four-century subjugation of the country by Spain and a shorter period of American occupation. Exposure to Western ideas and institutions has resulted in a blending of indigenuous cultural values and traditions with the implanted Western institutions.

Governmental Institutions and Politics

The determination of development goals, objectives, and priorities and their translation into plans and programmes are done through the political system in a country. It is through the political system that demands and interests of individuals and groups in society are articulated and combined in the form of alternative courses of action which later are transformed into authoritative decisions for implementation. The political system includes not only governmental institutions such as legislatures, executive bodies, courts, and administrative agencies, but also other structures in their political aspects such as political parties, interest groups, media of communication, and kinship and caste groupings.

The political process involves the selection of leaders who are then vested with the power and authority to formulate and determine public policies for the whole country. In a sense, politics is a struggle for power among individuals and groups to influence "the authoritative allocation of values."

The Philippines has a representative system of government which is presidential in form and unitary in character. Under the Constitution of the 1935, the qualified voters in the country elect their national and local officials who are then entrusted with the power and responsibility of determining public policies for the country

and/or a particular community. There is a very high voting turn-out which is almost 80 per cent in national and local elections. There is a two-party system which is apparently similar to that of the United States. It has been observed, however, that the two major parties - the Nacionalista and Liberal Party - do not have any substantial difference in philosophy , ideology and platform. Party membership is loose and shifts from time to time. Members generally do not adhere to strict discipline and party lines.

The power and functions of government are formally lodged in the executive, legislative, and judicial branches. Executive powers are exercised by the President who is popularly elected for a four-year term and performs varied administrative-diplomatic-military functions. Sharing with the President the powers of government is the bicameral Congress. Congress enacts laws and approves the national budget. The two chambers of Congress are the Senate and the House of Represertatives. The members of the Senate are elected nation-wide, while those of the lower house are elected by districts. The judicial functions are performed by the Supreme Court and its inferior courts. The judiciary is responsible in applying and interpreting the law in cases involving a conflict of legal rights between persons and the government.

The Executive and Congress are thus the primary institutions involved in the determination of policy goals and priorities. The bureaucracy under the President and other quasi-autonomous agencies are significant participants since they serve as initiator of program proposals and policies as well as implementor of those approved policies. The departments in the executive branch translate general policies in such major functions as education, social welfare, national defense, economic development, and others into specific programs of action.

Following the principle of separation of powers, each of the branches in government is considered as equal, coordinate, and independent of each other. However, in reality the President emerges as the most central and powerful figure because of the vast powers and influence at his command.[1] The centralized nature of government also vests in the President the power to control and supervise local governments. Although Congress is a significant decision-making body, its independence has been eroded by the more dominant President.

Social Groups and Influence

The Philippines has basically four identifiable social groups, namely: a) the elites; b) the middle class; c) the peasantry; and d) the industrial workers. Each group can be differentiated from another by income levels, property ownership, educational attainment, occupation, social outlook, and even ancestral background. Each group has its type and degree of influence and participation in decision-making. Generally, we may characterize the dominant elite as belonging to the high income level, landowners, Western-educated, predominantly Christian, with mixed Malay, Spanish, Chinese or American ancestry, and possessing a common conservative ideology. Although comprising a very negligible portion of the population, the economic and political strength of the elite is great. They are engaged in large-scale agricultural production, industrial and commercial enterprises, real estate development and banking. Control is extensive over such agricultural production as sugar, abaca, coconut and others, and over natural resource exploitation like forestry and mining. Since their main economic activities are geared for the export markets, this group seeks to have a dominant influence on policies affecting foreign marketing (particularly to the U.S.A. and Japan), on financial institutions, and on land-holding regulations.

Professionals, businessmen and top administrators also comprise a part of the elite. Most of them are self-sufficient and self-made men who attained status by acquiring education and using their specialized skills. This category of elites has strength in its "ties" with the middle-class, urban residents, and awakened rural elements[4] who look to them for progressive ideas and reforms. The middle class, on the other hand, is made up of small businessmen, craftsmen and artisans, and the bulk of the professionals and intellectuals. The peasantry which composes the largest segment of the population include the farm tenants, migratory workers and the small landowners and cultivators. Their force is in quantity and aroused consciousness about objective social conditions. Acquiring land itself has been a desire in addition to demanding a just share of the productive resources of the land. Finally, the industrial urban workers rank at the bottom because of their limited number. They are in the forefront of the labor movement in seeking just wages, satisfactory working conditions and humane treatment. Both the peasantry and industrial workers comprise more than 70 per cent of the population.

The influence and strength of these social groups in policy-making could be felt through their interest or pressure groups and other organizations representing them. We could cite some six

categories of organizations illustrated by a few selected interest groups. These categories are: 1) agrarian and labor; 2) commercial and industrial; 3) religious; 4) protest movement; 5) professionals; and 6) regional and ethnic. Before proceeding to analyze these groups, it should be noted that numerical strength in membership is an inadequate indicator under the prevailing social condition. We consider such other variables as organizational funding, type of leadership (often most organizations are led by one man and motivation and level of involvement of the broader membership. Moreover, there are overlapping memberships in some organizations, especially under the categories used herein. For example, a member in a professional organization may actively belong to either a religious or commercial group. With this overlapping, we may find also instances of alliances or coalitions between groups in addition to their commonality of interests and objectives. Undeniably some organizations persist while others wither away after achieving their short-term objectives. The attitude of niñgas-cogon, or enthusiasm at the initial phase of an activity which eventually wanes down, among Filipinos may also explain this organizational predicament. Despite this, during the past five years there had been an increasing growth in the number of secondary organization particularly in the protest movement. These are the groups deeply

committed to social or structural changes in society.

Agrarian and Labor

The peasantry had been organized in the past to wage sporadic revolts against oppressive landlords and local authorities. They used small arms and relied on native magical charms. Later they changed this crude approach and became better organized, better led and more aware of social problems. Spontaneous movements such as the Colurum and Sakdalista[5] in the 1930's were conscious of the prevailing economic conditions which were associated with the unjust land tenure system. Challenging government authorities, their members advocated independence of the country from colonial rule and the equal distribution of land. During World War II, the peasants established a resistance movement against the Japanese which was called Hukbo ng Bayan Laban sa Hapon. Eventually, this group evolved into an armed liberation movement to depose the civil government. This movement though failed and was crushed by the Philippine military.

As a result of this punitive action, the creation of peasant associations that did not include radical political programs was encouraged. Some of these associations are: the Federation of Free Farmers (FFF), Filipino Agrarian Reform Movement (FARM), and the Malayang Samahan ng Magsasaka or Free Farmers Union

(MASAKA).[6] Since these organizations are either registered with the central department of labour or the Securities and Exchange Commission, the government sanctions them to operate and participate in public decision-making. The FFF was organized by Jesuit priests in 1953 as part of the redirection of the Catholic church in social reforms. It has been consistently run by prominent civic and church leaders. The organization began with very close and open support from President Magsaysay. Its aims are to protect the rights of tenants, small landowners, laborers (in agriculture, fishing and transportation), and other prospective farmers; to seek land reform legislations and programmes; and to combine theology with reform politics. FARM which was established in 1959, is another group designed to support the land reform programme in Central Luzon. In 1969 this group was able to demonstrate its strength by threatening to conduct a long march by the peasants from Tarlac to Manila which was some 120 kilometers away. The President staved off the threat by declaring several municipalities as land reform areas and releasing financial support to the programme. Ties are direct with government sponsored groups called the Land Reform Farmers Associations which were created by the central department of agrarian reform. Finally, MASAKA is viewed as a more militant peasant based organization. It was organized in 1964 with an estimated membership of 64,000 peasants in Central

Luzon. Most of its leaders came from the defunct National Peasants' Union-- the mass arm of the Philippine Communist Party and from the FFF. Its tactics appealed to the peasants who wanted quicker solutions to court cases or administrative appeals. However, Huizer avers that, "MASAKA, in spite of its leftish orientation, seems to enjoy a certain goodwill in official circles for its effectiveness as a bargaining group at the local level."[7]

There are two national labor centers in existence forming an umbrella over labor federations and other independent labor unions in the country. These centers are: Pinagbuklod ng Manggagawa sa Pilipinas (PMP) and the Philippine Confederation of Trade Unions (Philcontu).[8] Together they comprise over half a million industrial and commercial workers in membership. The more influential labor federations affiliated with these centers are the Philippine Association of Free Labor Unions and the National Association of Trade Unions. Labor Unions were given recognition and collective privileges with the passage of the Magna Carta of Labor in 1953. The Industrial Peace Act passed in the same year granted to the industrial workers the right to bargain collectively through organized and registered labor unions. There are about 5,000 registered unions which undertake collective actions such as strikes and picketing. A radical labor group-- Lapiang Manggagawa-- rejects these labor techniques

as a deception to make workers accept the exploitive social status quo.[9] However, in practice this group, as other labor unions do, employs collective bargaining so as to attain tangible economic benefits for its members. Unions struggle for higher wages, more social benefits and security, and better working conditions. They deploy their concerted actions in the corporations where they work, in the Executive Branch which is responsible for implementing labor laws, and before Congress where legislations take place.

The failures of labor unions lie in their fragmented and competing leadership. Labor unions are rife with factionalism caused by personality and leadership rivalries. Unions which are concentrated in the Greater Manila area are small but articulate and vigilant. In the observation of one student on labor movements, the Philippine labor force is yet unable to relate themselves "to the larger socio-economic issues and problems besetting the Philippines today, such as the cornering of the wealth of the country by the traditional economic and political elite groups."[10] The other revealing finding is that both the industrial labor and peasantry are not united in one common organization and ideology. The former Congress of labor organization which combined the two working classes was disbanded in 1947 because of the suspicion that it was a communist front.

The other noteworthy group are the government workers. However, there are restrictions in the formation of labor unions since only workers in government corporations declaring profits can legally organize unions. In other agencies in the public sector which perform purely "governmental" functions, workers cannot form unions and engage in collective bargaining. But in the recent years workers were able to exert indirect united pressures through benevolent or employees associations.

Commercial and Industrial

The entrepreneurs and financiers are also organized into interest groups. Examples of these are the Chamber of Commerce of the Philippines, the Philippine Chamber of Industries, and the Chamber of Agriculture and Natural Resources. The Chamber of Commerce represents the Filipino businessmen particularly those located in the Greater Manila. It is known to be a weak organization because of factional differences among leaders and the various splintered commercial chambers, and its less articulate leadership. The Chamber of Industries is a stronger and aggressive organization comprising some 400 member companies. It speaks for and protects the interests of emerging Filipino manufacturers and industrialists. Nonetheless, in comparison with agricultural producers, the Chamber of Industries does not exert great influence on the policy process.[11]

Its main weakness is the chamber's dependence on the government for financial loans and other soft policies for them. This group is not expected to control and deliver votes which the political elite needs. The rise of nationalism and the loss of the grip of the landlords over the rural voters would strengthen the Chamber of Industries.

The associations of agricultural producers such as the sugar bloc and coconut producers are far formidable in influencing public policies. Since these two-- including forestry, tobacco and abaca-- contribute a substantial share to the foreign exchange earnings of the country, policy-makers heed their lobbying activities, particularly the Chamber of Agriculture. The tobacco producers were able to extract subsidies for their crops; the sugar planters and millers were able to get long-term at low-interest loans to build plants and to win exemptions from coverage in the Land Reform Law of 1966; and coconut planters received price stabilization laws just as the sugar planters did. The lobby of the National Rice Producers Association in 1955 against the passage of the Land Reform Bill is an illustration of this sector's role. This group fought the bill together with the support of the unorganized owners of small-size holdings, the Sugarcane Planters Association and the Philippine Federation of Palay and Corn Planters.[12]

Religious

The Roman Catholic Church hierarchy and its lay members constitute a strong pressure group considering that about 85 per cent of the Filipinos are Catholics. Church leaders can influence public policies despite the Constitutional guarantee on the separation between church and state. The church defines its stand forcefully on such public issues as religious instruction in public schools, divorce, and family planning. The church has a tight and centralized structure which does not imply though direct control over its followers. There are numerous lay organizations which emphasize religious doctrines, family life and social and community actions.

The second dominant religious organization is the Iglesia Ni Kristo (INK) which has indigenous origins. It claims a large following which observes stern discipline and devotion to the church. The INK attempts to influence policies by promising the votes of its members to political candidates and expecting in return favorable legislations and other public measures.[13]

Protest Movements

In the early 1960's student militancy evolved around opposition to easily perceptible issues as the Spanish law requiring compulsory study of the language in college, Philippine participation in the Vietnam War, and suppression of civil liberties by a congressional

investigating committee. Soon, however, the students and intellectuals in the universities became more organized, disciplined and ideologically oriented. They showed their strength and power through street demonstrations, boycotts of classes, and pickets in alliance with workers, peasants and professionals. The impact of the protest movement was demonstrated in the bloody riots in January 1970 which shocked civilian and military authorities. The student groups which are concentrated in the metropolitan Manila area can be classified into two categories--the radicals and the moderates. Among the radical groups are the: Kabataang Makabayan (KM), Samahang Demokratikong Kabataan (SDK), Movement for a Democratic Philippines (MDP), Student Alliance for National Democracy (STAND), and the Malayang Pagkakaisa ng Kabataang Pilipino (MPKP). These groups advocate revolutionary changes in society using violent means. Except for the MPKP, these groups affirm that only the establishment of a National Democracy can transform the basic power relations in the society and lodge power in the hands of the broad masses of the people. The MPKP is differentiated from the other radical groups in that it is presumably oriented to the revisionism of the U.S.S.R. and believes in alliances with other sectors to achieve structural reforms. The KM and others do not compromise their unity and are more inclined to Marxism-Leninism-Mao Tse Tung ideology.

On the other hand, the moderates include the National Union of Students of the Philippines (NUSP), National Students League (NSL), the Young Christian Socialists of the Philippines (YCSP), and the Lakasdiwa. These groups demand reforms in the government through peaceful means and bank high hopes on the present government and the Constitutional Convention of 1971 to achieve changes in society.[14] Their members believe that all possible peaceful alternatives should be exhausted before advocating a violent revolution.

Many secondary associations had been created as a result of the growing protest movement. These groups which are not registered with any government agency are often spontaneously organized but have solid social awareness gained through teach-ins and discussion groups. Some groups emerged as a response to the conservative professional groups which do not have any genuine concern for the welfare of the people. Among some examples of new militant professionals are: Makabayang Samahang Medico (MASMED) and Malayang Samahang Mga Narses (MASANA).

Professionals

Professionals and government personnel are organized to protect their professions, guilds or careers. These groups seek legislations granting them more privileges and status in society and are engaged in public relations strategies to promote their image

and relations with the people. The following are some examples: the Philippine Medical Association, Bar Association of the Philippines, Philippine Public School Teachers Association, Jaycees, and the Philippine Government Employees Association. Most organizations are well funded and staffed with personnel to undertake their activities. Usually annual conventions are held in Manila or other urban centers to exchange professional and social experiences.

Their participation in decision-making is generally recognized because of their prestige, political assets expressed in voting capacity or influence, and financial holding.

Ethnic and Regional

Increasingly it is being felt that the cultural minorities in the country (examples, the Muslims, Igorots, Ibanags and Negritos) should be given a larger role in policy-making. The unfortunate strifes in Mindanao where the Muslims and Christian settlers are being massacred by both sides, indicate the seriousness of the problem. On the surface the issue is religious conflict, but the more basic issues are economic and land holding disputes. The Muslim minorities (composed of several tribes like the Maranao, Tausog and Badjao) believe that they have been neglected by the national government and have been unjustly displaced by the lowland Christian Filipinos who migrated to Mindanao. The problem persists until a proper balance

in the allocation of resources could be achieved and the land grabbing dispute is judiciously settled. The other minority which has remained problematic are the Chinese. The Chinese which had fled from mainland China or had settled in the country since Spanish colonial times have remained unassimilated into the body polity. Strict and rigid naturalization laws and discrimination against this racial minority remain. However, there is an influential and rich class of Chinese which controls commercial, financing and other economic activities. Viewed in perspective, a social critic wrote that "The Philippines remains an unfinished society. Unfinished in the sense that many tribal and other minority groups, notably the Chinese, have yet to find an accepted place within it."[15] Social integration is an issue that has to be confronted with by policy-makers. The widening acceptance of the national language-- Pilipino-- has contributed immensely in this direction.

The disparity in economic levels between the regions in the country is also a distressing issue. Southern Luzon where the Metropolitan Manila area is situated has enjoyed the economic largesse through these years. The Bicol bloc, MINSUPALA (Mindanao-Sulu-Palawan Association), Cagayan Valley bloc and some sectors in Eastern Visayas have clamored for a more equitable share in the national resources which are concentrated in Manila. Political

power which is centralized in the Chief Executive has been the bane of regional and local authorities. Local authorities, for example, are dependent on central grants for their operation and maintenance.

Enlistment of Popular Participation

The Philippine Constitution guarantees political and civil rights to the citizenry as a recognition that there are certain fundamental and inalienable rights which are necessary for the fulfillment of the individual in society.[16] Civil rights are the liberties of the individual to be free and unrestrained in the expression of his ideas, beliefs and actions; while political rights are the rights of the people to participate in public affairs either directly or indirectly. The constitutional mandate providing for popular participation in government includes: 1) the right of suffrage or to vote in elections; 2) the right of citizenship or the right to be a member of the state and to be protected by it; 3) the freedom of speech and the press or the right to express views whether in oral or written form; 4) right to assembly and petition or the right to assemble and petition peacefully the government for the redress of grievances; and 5) the right to form associations or societies. The citizen may exercise all of these rights subject to legal limitations and political realities in society.

There are various institutional and collective means of marshalling popular participation in policy-making. Briefly noted, we could cite the following means available: 1) public hearings, meetings, or conventions to discuss particular issues or themes; 2) information through the mass media and publication in government periodicals and newsletters (e.g., Official Gazette, Government Reports, etc.); 3) direct appeal of the Chief Executive and other elected leaders; 4) representation in government institutions such as councils, boards, or other agencies; 5) creation of specialized agencies or authorities to cater to certain groups, clients or interests (e.g., regional groupings, tourism, veterans, sugar and tobacco industries, etc.); 6) sponsorship of certain organizations or foundations by providing grants and privileges; and 7) lobbying in Congress with government registration and regulation.

The channels of enlisting popular participation are through a) governmental institutions; b) mass media; c) political parties; d) associations and interest groups; and e) individuals actions and initiatives. The framework for participation in policy-formulation is provided by the government. Congress, for example, has a committee system which serves as a channel for popular participation. The committees in Congress initiate public hearings on proposed legislative measures and conduct investigations which would provide

information requisite to law-making. The public and representatives of certain groups are invited to attend committee meetings and hearings. The President has his official cabinet and the Council of State. The former is composed of all the department secretaries and other administrators, while the Council of State is made up of all the department secretaries and the leaders of the legislative branch and all political parties. The Cabinet is a technical advisory body to the President to deliberate on policy problems and recommend measures for executive approval. However, the other Council stresses the political character of administration in the Philippine government by combining all the sectors in deliberations. Whenever used by the President the Council serves as an important forum for the discussion of governmental problems.

The secretaries of the central departments are not civil service career men. Usually those appointed to those positions are political leaders or representatives of certain sectors. Often interest groups nominate to the President men of their choice or those groups are consulted about a candidate. There are councils, commissions or boards in the executive branch which provide for sectoral representation. Examples are: the National Economic Council, Civil Aeronautics Board, Philippine Medical Care Commission, Public Service Commission, Board of Censors for Motion Pictures, etc.

In these bodies, the President appoints members who come from such sectors as labor, business, agriculture, mass media, or consumer groups.

The mass media through newspapers, television, radio, and news magazines are vehicles in engaging popular participation. The mass media serve to educate the people and keep watch on the affairs of government. There are about 21 daily newspaper in the Philippines of which 17 are located in Manila. In addition to these print media, there are 16 weekly magazines and some 35 reputable community papers.[17] There are seven television stations in Manila and several relay stations in other cities.

There are two main political parties, namely the Liberal and Nacionalista. Other third and independent parties had been formed but had failed to gain any significant foothold in the political arena. Some governmental institutions have bi-partisan membership such as the National Economic Council, Commission on Appointments in Congress, Joint-Legislative Executive Tax Commission, among others. However, the participation of the political parties in decision-making centers is not meaningful in itself because of the inherent weaknesses in the Philippine political party system. Basically, there are no substantial differences-- in platforms, ideology, strategy or organization-- between the Liberals and the Nacionalistas. At best

the two parties can be labeled as rival factions of the same political lineage. The failure of third parties is partly due to the flaws in the electoral law which prejudices third party candidates during elections. A legal provision assures only to the two major parties the privilege to have election inspectors who are vital in securing free and honest counting of votes.

Associations and interest groups are also the means of enlisting popular involvement. Through organizations the government is able to inform the people of policy proposals and elicit reactions. As already mentioned the associations serve as the channel for providing representation to various social and economic sectors.

Public Discussion of Alternatives

The extent of public discussions influencing the scope and orientation of development policy is an elusive matter to evaluate. There are certain fundamental limitations as to how far these discussions would influence or contribute to policy-making. Legally, for example, the exercise of those political rights cited earlier is not absolute but subject to limitations. In the use of these rights it should not go beyond the bounds of law and should not be prejudicial to the rights of others and inimical to group and national interests. The state can restrain these rights through the exercise

of such powers as police, taxation and eminent domain. In other words the state can judge and tolerate just how far can the citizens make use of their political rights and thereby participate in government.

The indigenous cultural traits in the Philippines soften the rigidities and formalism of legal restrictions. These traits as pakikisama (going well with others), utang na loob (debt of gratitude), and hiya (shame or guilt) have a sharp imprint on the behavior and attitudes of leaders and the people in general. These are patterns often consciously recognized and applied by individuals and groups on decision-makers and vice versa. In other words the participation of an individual in public discussions would weigh more if a policy-maker has an utang na loob with him. An action is made on a particular issue in exchange for past favors or debts of gratitude. This has given rise to the notion of quid pro quo in Philippine politics. Political leaders and followers are engaged in a bargaining process[18] in exchange for favors, support and influence. However, this notion could be disputed in that this is really no tangible and meaningful bargaining. What indeed takes place is a bargaining relationship between uneven participants in the political process. The persistent domination by a socio-economic elite renders participation as a kind of semblance and in effect a token gesture. Another factor

to consider also is the openness of leaders and administrators to allow popular expression, dissent or participation. There are leaders who may not be responsive or sensitive to popular participation. Policy-making becomes a close process with this style of leadership.

In the developed countries education serves as a push factor in social mobility. The rise in social rank and occupation depends in part on the educational attainment of the individual. Participation in government is likewise attributed to a degree to the educational background. The higher the education received, the individual becomes more aware of the implications of public policies under discussion in decision-centers. He is also able to generate or contribute intelligently to policy-making. In fact, the Philippines has a remarkably high literacy rate in record which is 73% of the population. Nevertheless, it would be far fetched to imply that popular participation is extensive and significant because of this high literacy. There are many reasons which should be pointed out to explain this analysis in a Third World country. For one, this literacy is not functional in the sense that people have the essential skills and attitudes. The educational system should be viewed critically in the light of this failure. The present system is elite oriented and a convenient resource base of manpower. The educational

curricula cater to the needs and preferences of the dominant elite. For example, there are certain prestigious degrees like law, commerce, medicine and engineering. The curricula also emphasize respect for authority and unenquiring attitude which is next to docility. In general this is true in the public primary education wherein the school system does not have a healthy atmosphere to develop in the young the attitudes of criticisms and public participation.

Another factor to consider is the mass media which provide the forum for participation. Among the various mass media, the radio seems to have a wider and timely impact on the population. The other media are limited in circulation except in huge urban centers. Beyond this fact the more re-current problem is the ownership of the mass media which are owned, controlled and managed by the wealthy few in society. The newspapers, radio, and television represent the interest of a few family corporations and capitalists. With mass media in their control, business and politics are welded together.[19] The examples of these instances are the Soriano holdings over the Herald publications, the Lopezes in the Manila Chronicle, and Menzi in the Manila Daily Bulletin. Only the Manila Times is managed by a professional journalist and publisher. The press is reputed to be free in the country. But its exercise is restrained by the interests

and policies dictated by the elite. The government has ample powers to check and curtail the mass media-- for example through censorship and the privilege to use the mails at reduced rates. In one instance the government employed its punitive arm on the editors of the Chinese Commercial News-- a Chinese news daily-- by deporting them to Taiwan. This sparked some heated outcries regarding the abuse of state powers and persecution of the press.

To counteract whatever unfavorable image the executive branch of government gets in the mass media, it operates two radio stations, publishes newsletters, reports and brochures, and provides a substantial budgetary outlay to two printing agencies-- the Bureau of Printing and the National Media Production Centre. The incumbent President has personal holdings in a radio-television network and a new newsdaily.

The discussion of public policies is realistically influenced by foreign governments and businesses in the country. Through lobbies, direct controls and manipulation, these institutions can shape or unmake policy decisions even if these had been weighed by the public in open forums. Essentially, a few foreign corporations including multi-national business enterprises have large financial investments and holdings in the Philippines. The ranking foreign investors in the country are the Americans, Japanese, Chinese,

Spaniards and British. They constitute a formidable group which can oppose or dilute policies on nationalization of industries, passage of foreign investment and incentive laws, taxation, and other regulatory measures. In addition, world or regional institutions (United Nations, World Bank, International Monetary Fund, etc.) are instrumental in influencing and determining national economic and social policies. The choice of certain national priorities is contingent on the priorities developed by these institutions themselves which are the bases for monetary and technical assistance programmes.

An assessment may be made also on the governmental institutions which mobilize and provide popular participation. In the executive branch the provision for sectoral representation in some commissions or agencies has certain loopholes. These are: 1) the representatives are handpicked by the President himself and may not represent at all the genuine interests of the sectors; 2) other important sectors are left out[19] and presumed to be represented by any of the other designated members in a dual capacity. Some specific cases could be shown such as the Philippine Medical Care Commission wherein professional doctors dominate and the citizenry is not represented; the Public Service Commission wherein some politicians who lost in elections are appointed, presumably

to represent the consumers; the National Economic Council which has no broad interest representation, especially labour and the cultural minorities.

The Philippine Congress meets during a regular session only for 100 days and in special sessions limited to 30 days. During off-session in the year the accessibility to the committee system of meetings is curtailed except when duly authorized by Congressional leaders. Aside from the time limitation, the invitation to meetings is the prerogative of the committee chairman who may exercise discretion in the selection of participants. The citizen who attends Congressional sessions or committee meetings suffers comparison with the legislative lobbyist promoting the vested interests of some businesses or groups. Lobbyists who are required to register their profession as a form of regulation have the necessary resources and political strength to wage successfully a campaign for favorable legislations.

Ostensibly, policy decisions are already firmed up in most instances and only the means or alternatives are discussed for purposes of legitimacy or popular support. The purpose of participation and mobilization is to reify existential goals and values that are fostered by the policy-makers and their elite patrons. The cleavages between social classes are foreshadowed by the semblance of participation although not entirely obliterated.

Concluding Note

The demands and needs of people are expressed through the political system and translated into alternative form of action which can be implemented. It is the political system, through its structures, which gives support to the development program of the country, as for instance the Congress providing legitimacy, funding and organization. In the context of prevailing social conditions constraints in development planning exist. The varying values and perspectives of the political decision-makers have an important bearing on the choice of program priorities and commitments. Expectedly, they have to draw up policies and programs that would promote the public interest. But it is difficult to define and delimit this interest - whether of the elite, the peasantry of middle class. These values and perspectives are then influenced in large measure by the stronger group articulating and mobilizing particular vested interests.

In terms of formal institutions and policies the country has adopted the notion of popular participation seems apparent and workable. The constitution and the laws provide the channels for participation. However, it may be categorically stated that the legal framework departs radically from the reality. The political structure seems to be incapable of promoting social adjustments

and meaningful participation. In actual practice the government pays lip-service to citizem participation and seemingly promotes and cultivates it to give either legitimacy or sanctions to established policies. There is no meaningful and realistic participation of the people. The reasons for this are fairly obvious in that the socio-economic elite continues to reigb, control or manipulate the decision-making process. Another dimension is that the country does not have complete and total political independence. The parity rights granted to the Americans to invest and engage in business and industry is a classic example of how a foreign power dominates decision-making. It is a controversy which is likely to erupt before this parity amendment expires in 1974. The interests and benefits of certain groups collide in this particular issue. For instance, there are the sugar planters who are favored by the preferential treatment in the U.S. sugar quota system as against the militant students and aspiring native industrialists who are aware of the evils of the quota system and continued American domination of the Philippine economy.

As to the "softness" of the government to shape and enforce decisions, it appears that the government often accedes to demands and pressures of concerned citizens or groups. Specifically, the government floats

trial balloons so to speak about proposed policies to be able to gauge public opinion. One technique is to advertently leak government documents or reports and then to analyze the response of news columnists and readers. However, reading the people's pulse through this method is of doubtful use considering the limitations of the mass media. The government may appear "soft", but ostensibly policies can be diluted or distorted because of the overwhelming strength of the elite in actual political participation.

As already stated earlier, participation in elections is not also tangible and adequate. the undisciplined political parties and the corrupted electoral process clearly manifest the inadequacy of elections. For a resilient political system power has to be shared with the people and genuinely recognized.

The strength and continuity of political support for development policy and planning is threatened by the persistent and ever-widening elite-mass dichotomy.

It has a grave implication on the question of integration and the pursuit of national development. This serious elite-mass dichotomy has ominous dangers to the political status quo. Additionally, the special problems of the minorities in the country also require the resolute attention of the government. The feeling of

alienation, discrimination and neglect by the minorities is so pervasive that conflicts become unavoidable and commitments for participation in the development efforts are absent. Leaders of the minorities staunchly believe that cultural pluralism should be encouraged and maintained instead.

The kind of society in the Philippines is reflected in the performance and experience of governmental institutions. There is the glaring sign of the "gulf between the official norm and reality" in administrative practices. The cultural traits and norms of the Filipino and his administrative institutions do not at all coincide. For example, the merit promotion system and the decisions made by the administrator are subject to the influence of his social norms, family obligations, and other cultural behavior,

Moreover, the problems of coordinating development programs may be considered. Vertical coordination, for example, has been confronted, through the creation of novel institutions for coordination at the central government level. On the other hand, the problem of horizontal coordination exists. There are administrative services at the provincial or regional level. But there are no effective mechanisms for coordination between the central and local authorities level, except for

the attempts with the provincial development councils. The centralized form of government works against effective coordination and achieving popular participation since power is concentrated at the top.

Footnotes

[1]Jose V. Abueva and Raul P. de Guzman, Dynamics of Filipino Politics and Government (Manila: Bookmark, Inc., 1969), p. 308.

[1a]Raul P. de Guzman, "Politics in the Philippines," in Asia: The Philippines: Problems and Prospects (23 Autumn, 1971), p. 2.

[2]Ibid., pp. 36-44.

[3]Jose V. Abueva, "The Elite and the People in Abueva and de Guzman, op. cit., pp. 23-28.

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[6]Gerrit J. Huizer, "Philippine Peasants Organizations," Solidarity (June 1972), pp. 17-32.

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[8]Andres I. Fernandez, "The Philippine Labor Movement: Its Role in Nation-Building," paper submitted to Dr. R. P. de Guzman as a requirement in P.A. 203 (January 1971), p. 3.

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[11]Carroll, op. cit, p. 32.

[12]Abueva and de Guzman, op. cit., p. 230.

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[14]R. P. de Guzman, op. cit., p. 10.

[15]Carroll, op. cit., p. 153.

[16]Gabriel U. Iglesias, "Our Political and Civil Rights," in Abueva and de Guzman, op. cit., pp. 68 - 75.

[17]Susan O. Castrence, "The Role of Mass Media in National Development," paper submitted to Dr. R. P. de Guzman in P.A. 203 (1972), pp. 9-10

[17]cf. also Gloria A. Feliciano, "The Press and Local Government," Philippine Journal of Public Administration (July 1968).

[18]Jean Grossholtz, Politics in the Philippines, (Boston: Little, Brown and Co., 1964).

[19]Romeo B. Ocampo, Planning and Political Economy in the Philippines (May 1969), unpublished manuscript, pp. 81 - 82.

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[21]Raul P. de Guzman, Patterns in Decision-Making (Manila: UP College of Public Administration, 1967), p. 11.

Part III

THE PLANNING ORGANIZATION

Historical Overview

Structure, Roles and Relationships

- Hierarchical Layout
- Component Units and Roles
- Inter-Agency Relationships and Problems

Efforts At Organizational Reform

Concluding Note

THE PLANNING ORGANIZATION

The organizational set-up for planning is an important element that relates to the nature of development policy. What are the features of the planning organization in the Philippines? What are its component units and how are they related to each other?

In this section, the governmental planning set-up for development policy will be discussed under the following headings: (a) Historical Overview; (b) Structure, Roles, and Relationships; and (c) Efforts at Organizational Reform.

Historical Overview

The need for institutionalizing economic planning within the framework of the Philippine government was given due recognition as early as 1935, when President Manuel L. Quezon, in his message to the National Assembly asked for the creation of a National Economic Council (NEC). Shortly after the receipt of the message, the National Assembly passed Commonwealth Act No. 2 creating the Council. Its main function was:

> . . . to advise the Government on economic and financial questions, including the improvement and promotion of industries, diversification of crops and production, tariffs, taxation, and such other matters as are submitted to its consideration by the President, and to formulate an economic program based on national inde - pendence.

Economic planning, to be performed by the NEC, was to be comprehensive in scope, embracing all aspects of the economy, such

as fiscal, monetary, credit, and trade aspects, as well as all economic sectors such as agriculture, manufacturing, mining, power, transport, etc.

The colonial status of the Philippines, however, served to circumscribe the scope of economic planning. Many governmental functions were directly supervised, if not actually performed, by the United States government. For example, "acts affecting currency, coinage, imports, exports and immigration shall not become law until approved by the President of the United States." With foreign affairs under the direct supervision and control of the United States, much of development planning as presently understood was, therefore, mainly in American hands.

Given the limitations under which the newly-created NEC had to operate, it was not surprising to find the Council unable to perform effectively its functions. Until the start of the World War II in 1941, there had been no economic planning as contemplated under Commonwealth Act No. 2. What the NEC did was to render piecemeal advice to the President and submit proposals for presidential consideration--"also on a piecemeal basis."[1]

Several other factors also contributed to the ineffective functioning of the NEC during the Commonwealth regime. Quezon failed to provide definite policies or guidelines to be

followed by the Council in the preparation of consistent and comprehensive economic plans. There was also a high turnover of Council members who were appointed from among Quezon's Cabinet members directly concerned with economic activities. Department secretaries remained in the Council for only as long as they held on to their political jobs. Council members also served without additional compensation and not receiving any compensation for an undefined job added to regular departmental work, there could have been no assurance of persistence in the discharge of the economic planning function.[2]

The succeeding administrations of Presidents Osmeña and Roxas were beset with the pressing problems of survival, restoration of government, peace and order in the countryside, and rehabilitation of a war-torn economy. Despite the pressure of the massive developmental problem, however, the National Economic Council was not reconstituted until late in 1947. A "Proposed Program for Industrial Rehabilitation and Development of the Republic of the Philippines" was endorsed by Roxas, but, significantly, it was not even prepared by the NEC. The program, instead, had been prepared by the National Development Company under the supervision of the H.E. Beyster Corporation of Michigan.

During the administration of President Quirino, the NEC similarly failed to operate as the national planning body envisioned under C. A. No. 2. It merely performed an advisory

role to the President, primarily through resolutions endorsing particular projects and through the sponsorship of ad hoc policy measures in support of a vaguely defined economic development program.

Up until 1954, therefore, prior to the first government-wide reorganization, the NEC evidently was a dormant entity, performing a purely ministerial function of passing resolutions and endorsing or rejecting specific projects submitted to it for its consideration.

The creation of the Government Survey and Reorganization Commission (GSRC) in 1954 provided an opportunity for a reappraisal of economic planning responsibilities in the Philippine government. Among its various proposals, the Commission submitted Plan No. 10, which sought to revitalize the National Economic Council. Adopted in 1955, Plan No. 10 aimed at reestablishing the primacy of the NEC as the principal planning body of the government.

To indicate the magnitude of the NEC's concerns and interests, its functions included the following: advice to the President on the state of the national economy; formulation of national economic policies and plans; review of ongoing programs on economic development; study of the country's needs and resources; advice on various economic policy areas such as revenues and expenditures, tariff, foreign exchange, etc., including reparations from the Japanese government.

The functions formally assigned to it, in effect, made the NEC a clearing-house for the coordination and supervision of economic policies and plans in the country. And to make the National Economic Council operate effectively, changes were made in the composition of its membership. The Council was given a full-time chairman and six members from Congress, three senators and three representatives.

The nationale for including senators and congressmen in the Council was:

> . . .Through Congressional representation in the Council Congress is sure that in all economic plans the objectives set by the policy-determining body will be adopted, and through these same members Congress will get first-hand, immediate information as to the methods and goals adopted by the Executive. The Executive, on the other hand, has ready access to Congress through these Congressional representatives in the Council, and through them definite legislative proposals may be made, appropriations sought, and information about important matters given.[3]

Formally, the NEC remained the central planning entity of the government. Subsequent administrations in the country, however, were to usher in further developments and new entities that were to compete heavily against and overshadow the NEC.

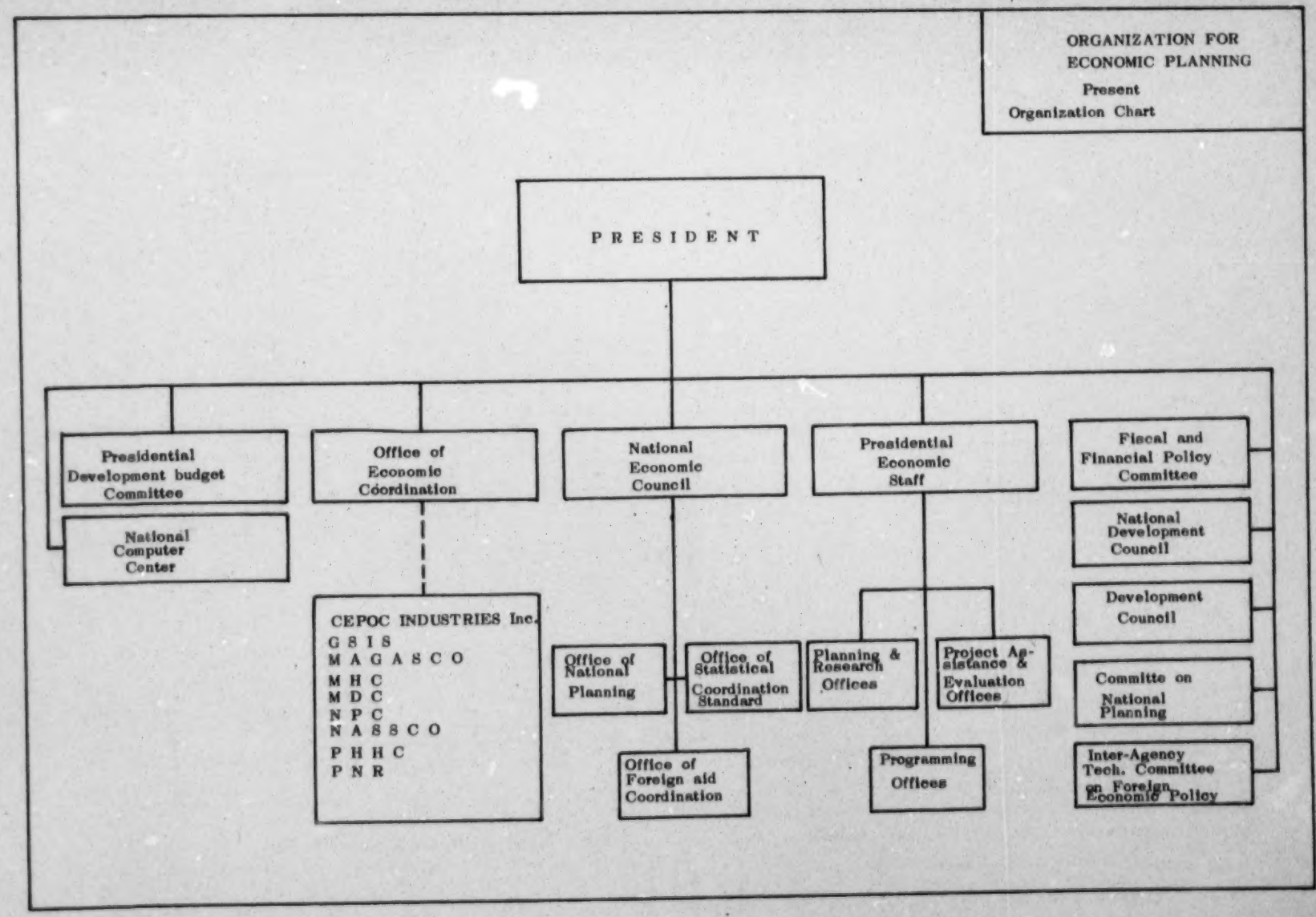
Structure, Roles and Relationships

Hierarchical Layout. At the present, the organizational structure for development policy planning includes a complex of agencies and instrumentalities. Whereas before the

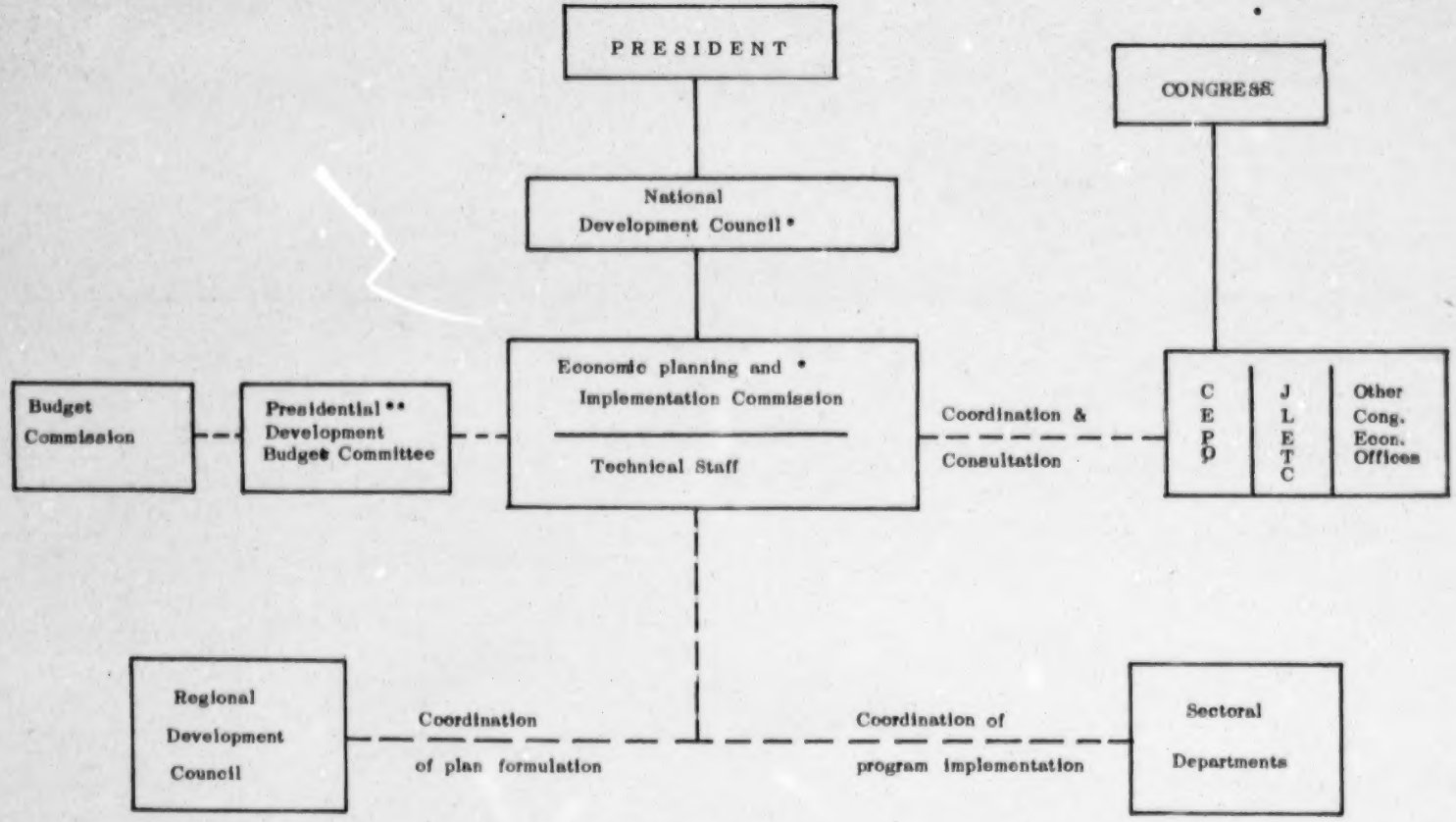
NEC was conceived as the only center for governmental planning, an array of entities with overlapping and almost identical functions established during the Macapagal and Marcos administrations had the consequence of dispersing NEC planning functions.

Notably, the single focal point for policy planning is the President. In the context of a traditionally centralized political system, the President occupies the apex of the planning hierarchy. Revolving around him and providing the necessary advice on economic planning are at least ten instrumentalities (see Figure 1), which are directly under his control and supervision. This cluster of presidentially-supervised entities, apart from the NEC, are: the Presidential Economic Staff, the Office of Economic Coordination, Presidential Development Budget Commission, National Computer Center, Fiscal and Financial Policy Committee, National Development Council, Development Council, Committee on Regional Planning, and the Inter-Agency Technical Committee on Foreign Economic Policy.

Component Units and Roles. A key component in the planning apparatus is the Presidential Economic Staff (PES). Called the Program Implementation Agency (PIA) during the Macapagal administration, this entity was established in August 1962 in view of an increased recognition that "economic-planning was not the preparation of a document but the inculcation of habits and techniques throughout the totality of the government


ORGANIZATION FOR
ECONOMIC PLANNING
Present
Organization Chart
PRESIDENT
Presidential
Development budget
Committee
National
Computer
Center
Office of
Economic
Coordination
CEPOC INDUSTRIES Inc.
G S I S
M A G A S C O
M H C
M D C
N P C
N A S S C O
P H H C
P N R
National
Economic
Council
Office of
National
Planning
Office of
Statistical
Coordination
Standard
Office of
Foreign aid
Coordination
Presidential
Economic
Staff
Planning &
Research
Offices
Project As-
sistance &
Evaluation
Offices
Programming
Offices
Fiscal and
Financial Policy
Committee
National
Development
Council
Development
Council
Committe on
National
Planning
Inter-Agency
Tech. Committee
on Foreign
Economic Policy

PROPOSED ORGANIZATION FOR ECONOMIC PLANNING
AND PROGRAM IMPLEMENTATION



Adapted from Report on Economic Planning and Program Implementation-Commission on Reorganization, Manila, October 1970

*to be created **to be made a permanent body

machinery for rational evaluation of project alternatives, systematic programming and sound scientific management of resources."[4]

Significantly, with its establishment came four important innovations in development planning, namely: (a) stress on concrete, as distinguished from aggregative, planning; (b) feasibility studies and project evaluation; (c) overall and priority programming; and (d) improvement in the organization and management of major participating agencies.[5]

As a staff arm of the President, the PES performs three essential functions: (a) translator of NEC-formulated national goals into project plans and priorities; (b) forum for the integration and coordination of capital projects of the different departments and corporations of the government; and (c) channel for the coordination of private investment with public projects.

The Budget Commission, as principal advisor to the President on budgetary policy, occupies an important spot in the hierarchy and performs a key role in the planning process. Through its fiscal policy staff, the Budget Commission formulates short- and long-term fiscal policies and plans, aside from gauging their effects on the national economy. In addition, the Budget Commission also reviews current and future borrowing trends for their economic and fiscal implications; prepares revenues estimates from taxation and other resources; reviews

the fiscal aspects of legislative proposals concerning income and expenditures; and prepares the President's fiscal policy and budget message, a vital development policy instrument.

Another key unit in the planning organization is the Central Bank, which is in charge of monetary and credit policy. Former Bank Governor Miguel Cuaderno, Sr., referred to the Bank as "directly responsible for planning in the fields of money, banking and credit . . . to the end that orderly development at a self-sustaining pace can be possible in an environment of internal stability and external balance."

The functions of the Central Bank include: the maintenance of monetary stability; the preservation of the international value of the peso and the convertibility of the peso into other freely convertible currencies; and the promotion of a rising level of production, employment and real income. In pursuance of these objectives, the Central Bank has the power to effect changes in the rediscount and discount rates, conduct open market operations, effect changes in the legal reserve requirements of the various banks, enforce a system of selective credit control, and resort to moral suasion and other specific measures and controls.

The Board of Investments, a recent creation, was established by virtue of the Investments Incentives Act. Directly concerned with planning on investments policy, the BOI has the

responsibility of encouraging both domestic and foreign investments and channeling patterns of investments to more economically desirable and feasible areas. The Investment Priorities Plan, which is prepared periodically by the BOI, is an important component in overall developmental planning.

Significantly, in juxtaposition to the cluster of presidential advisory and planning agencies is the Congressional Economic Planning Office (CEPO). Established in 1968, the CEPO was conceived as an advisory and planning unit in Congress, to provide technical assistance particularly to the House of Representatives.

The rationale behind the establishment of the CEPO is noteworthy:

> The resolution /House Joint Resolution No. 101 Proposing the CEPO/ recognized the fact that, although Congress is the primary policy-making body of the government, some of the economic blueprints conceived in the past was not drafted by Congress nor was its approval sought in any such plans . . . .
>
> It recognized the need to revise and update the country's economic policies. It points to the imperative need of a master economic blueprint act, because of assured continuing logistical support, shall take permanence and lead to unwavering economic directions regardless of any change in the country's political administration /underscoring provided/.[6]

As a technical staff of the House of Representatives, its functions closely resemble those of the NEC and PES. A look at its organizational component units indicate the scope

of CEPO interests in developmental planning, agricultural, fiscal, industrial, international, legal services, monetary, social services, and statistics.

Its creation, significantly, renders almost superfluous legislative membership in the already weakened NEC. And owing principally to the powers of the House of Representatives with aspect to appropriation bills, the CEPO constitutes a potentially competitive and countervailing force to presidentially-initiated planning.

Interestingly, during the current session of Congress, the CEPO played a very influential role in the formulation of H.B. 5307, otherwise called the "National Economic Recovery Act of 1972," sponsored by Speaker Cornelio Villareal. While the legislative measure is in process and its outcome still unknown, the measure strongly suggests a parallel to existing "integrated" development plans.

Mention should also be made relative to the planning machinery of regional development authorities. Together with provincial development councils, regional development authorities, constitute another tier at sub-national level. As many as eleven regional authorities had already been established by Congress, although the more prominent and formally organized are: the Mindanao Development Authority, Central Luzon-Cagayan Valley Authority, Bicol Development Company, and the Laguna Lake

Development Authority. On the whole, these regional authorities have been relatively weak and ineffective.

Abelardo G. Samonte, Executive Director of the Reorganization Commission, viewed their establishment thus:

> The phenomenal rate by which these regional bodies mushroomed, in the absence of any careful study and actual adaptation of the regional development authority idea, provides support to the allegation that they are more the manifestations of a political fad than deliberate efforts toward an effective approach to regional development.[7]

Development planning units also exist at lower levels of the governmental bureaucracy. At the provincial and municipal government levels are development councils, the establishment of which was authorized by Provincial Circular (unnumbered) issued by the Office of the President in February 1968. Headed by governors and mayors, respectively, these councils formulate development plans for their respective jurisdictions in conjunction with regional development bodies (where these are in operation) or with the PTS and other pertinent national entities.

The relatively limited resources and capabilities of many local governments, however, have been a major obstacle in the establishment of these councils. Where they are in operation, they are further limited in their effectiveness by relatively meager resources and inadequately trained personnel.[8]

Inter-Agency Relationships and Problems. What are the relationships among the major units in the planning

organization?

As the principal planning entity, it will be well to first examine the National Economic Council in the light of internal relationships among its various components.

The NEC, as planning and decision center, is assisted in the discharge of its responsibilities by three technical offices under it, namely: (1) the Office of National Planning (ONAP); (2) the Office of Foreign Aid Coordination (OFAC); and (3) the Office of Statistical Coordination and Standards (OSCAS). Among the three aforementioned units, the first is directly involved with the preparation of economic plans.

The Office of National Planning (ONAP) prepares and keeps current a national plan for economic and social development. To this end, the ONAP is composed of six functional branches: Agricultural Resources; Industrial Resources; Services (Utilities); Finance, Trade and Commerce; and Social Development.

In their respective fields, these branches "formulate for consideration of the Council definite and consistent broad economic policies and plans," and "prepare and keep current sound, flexible, and long-range national plans, projects and measures, programs. . . integrated as component parts of the overall program for economic and social development." Close consultation among the branches is obviously necessary, but

internal organizational problems intervene and thus serve to minimize plan integration from within the Council staff itself.

To illustrate:

> . . .The Office of Foreign Aid Coordination . . . plans foreign aided projects individually without correlation with the national program prepared by the Office of National Planning. While the Office of Foreign Aid Coordination regularly consults with ICA /now AID/ in planning its individual projects, it very seldom consults the Office of National Planning. . . .
>
> On the other hand, the Office of Statistical Coordination and Standards does not service the statistical needs of the Council, its main functions being to prescribe and improve statistical standards and coordinate statistical services of the government.[9]

The weaknesses of the NEC's internal organization may be summed as follows:[10] (1) big and unwieldy composition of the Council proper, with only the chairman working full-time in the 13-man Council; (2) high rate of turnover in Council chairmanship; (3) divisiveness resulting from the very "representativeness" of the Council; (4) administrative and operating details that saddle the Council and drains its time which could otherwise be spent on purposeful planning activity; (5) lack of coordination and harmony in the functioning of the various units of the Council's technical staff.

Externally, relations between the NEC and the PES have been marked with a large measure of competition and oftentimes of a strained nature. NEC-prepared plans have actually

been revised by the PES, which thus displaced the former entity in its role as the central planning agency. It is noteworthy that this has been a consequence of a combination of factors, principally, the close proximity of PES offices to the Palace, the confidence of the President in the PES Director-General, the competence of the staff, and its being better equipped particularly in terms of an information system.

What about NEC relations with the Budget Commission?

A serious gap exists between planning, on the one hand, and budgeting, on the other. Formally, the Budget Commission is supposed to be guided by the economic plan prepared by the NEC in the allocation of government funds. Since NEC plans are not always endorsed by the President, however, the Budget Commission has tended to proceed on its own in the preparation of the national budget.

The Budget Commission secures estimates of expenditures from each operating department and agency which become the basis of the national budget. Proposed appropriations, however, may either be pruned or increased by the Budget Commission, depending on the priorities set by the President in his development program. The appropriations may again be further altered by Congress since it has the final say on appropriation acts.

Evidently, NEC-Central Bank relations are not any different. Despite "overall" NEC plans, the Central Bank's

Monetary Board formulates its own policies on credit and foreign exchange.

On the other hand, however, coordination between the Budget Commission and the Central Bank appears better, the close relations deriving from their relatively similar orientations with respect to the NEC as well as their membership in the Fiscal and Financial Policy Committee, which is headed by the Finance Secretary and with PES and NEC as other members.

Too, there is close coordination between the Budget Commission and PES with respect to the programming of funds particularly on capital outlays. Evidently, the close relationship stems from the two entities being members of the "immediate family" of offices directly under the Office of the President.

In an effort to harmonize and integrate developmental planning, consultation and coordination among involved entities is sought through special committees and councils mentioned earlier, such as the Presidential Development Budget Committee and the National Development Council. These coordinating bodies, however, seem to be effective only to the extent that the participants share common orientations and have similar perceptions of development problems. Or, that integration is reached through bargaining and compromise of departmental positions.

In addition to ongoing reorganization efforts, the appointment of officials who are in the close confidence of the

President are serving to minimize problems of coordination. In this regard, the appointment of NEC Chairman Gerardo Sicat in 1970 and his leadership in the Council, coupled with the turnover of key PBS personnel, have tended to restore some measure of prominence for the NEC.

Efforts At Organizational Reform

Armand V. Fabella, former PIA Secretary-General and incumbent Chairman of the Reorganization Commission identifies four major obstacles to development planning: (1) ". . . duplication of functions, a most glaring example being the Presidential Economic Staff and the National Economic Council;" (2) "lack of coordination, rapport and involvement among planning agencies and operating departments"; (3) "The 'GAO [Government Auditing Office] mentality in government"; and (4) poor coordination between planning and programming functions in view of inadequately trained personnel.[11]

Significantly, in its investigation of economic planning and program implementation, the present Reorganization Commission found out basically the same shortcomings. These problems are: (1) the dispersal of planning functions among several planning bodies and ad hoc councils and committees; (2) the lack of effective coordination among planning bodies; (3) the weak link between development planning and government budgeting; (4) tenuous relationship between plan formulation and program implementation; and

(5) Limited capability for sectoral and regional planning.

In order to overcome these problems, the Reorganization Commission in 1970 formulated several proposals.[12] The envisaged planning organizational system included three key component units: (1) the National Development Council, (2) the Economic Planning and Implementation Commission, and (3) the Presidential Development Budget Committee (see Figure 2).

Under the reorganization scheme, the National Development Council (NDC) would supersede the NEC as "the highest joint executive-legislative body that shall pass upon all development plans and related economic policies and guidelines." As the major decision center for development policy, the NDC would be composed of the President as Chairman, the Vice-President, Senate President, Speaker of the House, Majority and Minority Floor Leaders and Chairman of the Economic Affairs Committees of both chambers of Congress, and the Chairman and Director-General of the Economic Planning and Implementation Commission, as members.

Providing the link between the NDC as decision center and the operating departments as well as other component units in the system would be an Economic Planning and Implementation Commission (EPIC). Its principal functions would be to provide the President and the NDC with policy advice; conduct comprehensive development planning; and coordinate the implementation of development plans. EPIC membership, it is noteworthy, would be composed

of the Secretary of Finance as chairman, the EPIC Technical Staff Director-General as vice-chairman, and the Budget Commissioner, Central Bank Governor, and the Secretaries of Commerce and Industry; Public Works, Transportation and Communication; Agriculture and Natural Resources, respectively, as members.

The Presidential Development Budget Committee (PDBC) would serve to promote effective coordination between planning in EPIC and budgeting in the Budget Commission. "Making the Committee a permanent body, "according to the Reorganization Commission, "could provide the much needed linkage between development plans and the annual budgets, thus maximizing the accomplishment of planned development goals and objectives."

As the Reorganization Plan awaited further action, an innovative approach to planning was adopted by the administration of President Ferdinand Marcos.[13]

Memorandum Circular 424 issued on January 12, 1971 by Executive Secretary Alejandro Melchor created an interdepartmental task force which formulated the Four-Year Development Plan for FY 1972-1975. The task force, headed by the NEC Chairman, was charged with the functions of continually evaluating and updating the Four-Year Development Plan that it had drafted and which the President adopted.

It is important to note that the development plan involved the close participation of operating departmental agencies.

In effect, planning tended to flow from below and integrated at task force level prior to being presented to the President for adoption. It is also noteworthy that a total of 91 representatives from 41 agencies were specifically named in the executive order to assist in the drafting of the development plan. Of course, many more agencies other than those composing the inter-departmental task force were involved, considering the magnitude of the plan.

The scope of its work is indicated by the various committees in the task force, which included: The Coordinating Committee; Committee on Macro-Economic Framework and Balance of Payments; Fiscal Plan Committee; Banking and Capital Transfers; Infra-Structure Plan, Agricultural Plan; Industrial Plan; Educational Plan; Housing Plan; other Social Services; Administrative Reorganization; Manpower; Regional Planning; and Publication and Reproduction.

Concluding Note

It is evident from the above discussion of the governmental planning organization for development that there are in operation at the present two major centers for planning in the Philippines. These centers are: the National Economic Council (NEC), and the Presidential Economic Staff (PES). As noted earlier, the NEC is the formally designated central planning body, while the PES, a staff arm of the President, has in various instances actually

displaced the former in its planning role. The BOI participates actually in assisting both especially with respect to investment planning and allocation. CEPO, a technical assistance body to the House of Representatives, is a potential major planning body if H.B. 5307 or the Villareal Plan, now under consideration, will be enacted into law.

While the rationale behind their creation varied from each other, it is significant to note that each entity has always tried to view and perform developmental planning in an "integrated" fashion, although mainly from their respective standpoints. The way by which they have been actually operated, in fact, has placed them in competitive positions, if not, in effect, tended to work at cross-purposes relative to one another.

Vertically, in the planning hierarchy, coordination and integration between national entities, on the one hand, and development planning units at regional and local government levels, on the other, have been minimized principally by "internal" organizational weaknesses of the latter group of planning bodies.

The apparently fragmented relationships among these component units and their consequence on the nature of development plans does not seem to be a function of the organization structure alone. Presumably, a major influence has been the growth of development policy itself, specially the manner by which its philosophy has been appreciated by policy planning elites and

translated into concrete plans and instrumentalities. Together with the nature of the political setting in which these agencies are lodged, these factors altogether constitute a formidable force that militates against closer integration of development planning.

To the extent that component units of the planning organization are fragmented may perhaps lessen the capacity of the government to deal in unified fashion with development problems confronting the country. But then the multiplicity of entities and the large measure of duplicated functions are not entirely without merit. Surely their interactions in the planning process promote a check-and-balance that is perhaps essential in a highly politically competitive democratic system in the Philippines - and may well contribute to a more rational and politically feasible development plan.

The ongoing reorganization in government, together with the further training and professionalization of public admistrators and planning personnel, suggest continuing efforts to streamline the planning organization structure thus the necessary liaison and coordination toward a better orchestrated formulation and implementation of development plans.

FOOTNOTES

[1]Jose D. Soberano, Economic Planning in the Philippines: Ecology, Politics and Administration. Unpublished Ph.D. Dissertation, University of Michigan, p. 187.

[2]Ibid., pp. 190-191.

[3]Gil J. Puyat, "Congress and Economic Planning," in R.S. Milne, ed., Planning for Progress. Studies in Public Administration. No. 6. Institute of Public Administration and Institute of Economic Development and Research, University of the Philippines, Manila, 1960, p. 65.

[4]Sixto K. Roxas, "Lessons from Philippine Experience in Development Planning," The Philippine Economic Journal, IV, 2, p. 379.

[5]Caridad S. Alfonso, "Organization for Economic Planning," in Jose V. Abueva ed., Perspectives in Government Reorganization. (Manila: College of Public Administration, 1969), pp. 159-161.

[6]Report on the Congressional Economic Planning Office, April 1971, mimeo, pp. 1-3.

[7]Abelardo G. Samonte, "Regional Development Authorities: Role, Structure and Feasibility," Philippine Journal of Public Administration, XII, 2, Manila, April 1968, p. 119.

Recently, however, an attempt was made apparently to strengthen regional development with the assignment of Cabinet Secretaries as "Regional Development Coordinators." See Memorandum to the Cabinet, Office of the President, Manila, March 9, 1972.

[8]Elena A. Panganiban, "Provincial Development Councils in the Philippines," Local Government Bulletin, VI, 6, November-December 1971, pp. 6-7, ff.

[9]Statement made by Congressman Nicanor Yñiguez, Congressional Record, Vol. I, No. 30, March 7, 1958, cited in Alfonso, op.cit., p. 153.

[10]Alfonso, op.cit., pp. 174-178, passim.

[11]Armand V. Fabella, An Introduction to Economic Policy. (Manila: Philippine Executive Academy, 1968), pp. 108-111.

[12]Commission on Reorganization. Report on Economic Planning and Program Implementation. Manila, October 1970, pp. 3-23, passim.

[13]It is rather unfortunate that since its completion at the end of 1970, the Reorganization Plan, including the one mentioned above, had not been formally adopted and implemented until the present. Evidently, the alternatives of the Reorganization Commission to have the plan adopted either in its entirety or none of its parts has proved difficult in the context of the political process.

Part IV

DEVELOPMENT EFFORTS: NATURE AND SCOPE

Policy Orientations and Priorities Over Time

- Goals and Priorities
- The Plans
- The Fiscal Plans
- The Budgets

The National Government

Local Governments

Policy Orientations and Priorities Over Time

The beginnings of planning in the Philippines may be traced to Commonwealth Act No. 2, creating the National Economic Council, the first major planning body of the country. Since then, planning and a more rational allocation of resources have been a continuing concern of government.[1]

Planning in varying forms and degrees of sophistication was concretized in the 25 plans thus far prepared,[2] some medium or long-term, others comprehensive, and still others primarily sectoral or specific, supplemented by long-term studies and projections of particular segments of the economy. (See Appendix 3.)

Goals and Priorities

The declaration of principles of the Philippine Constitution adopted in 1935 sums up the nature, scope, and principal objectives of the state in five brief sections. One of these objectives is "the promotion of social justice to ensure the well-being and economic security of all the people." Economic and social development is therefore not a new concept in the Philippines. On paper, social justice appears to have primacy.[3] Proposals before the current Constitutional Convention seek to translate this general

statement of aspiration into reality, having regard for society's basic goals, especially that of "substantive equality." Specifically, these proposals would subordinate the profit motive to the needs of human and social development, and redefine property in terms of the "concept of stewardship."

But what national goals and priorities have actually prevailed? The guideline proposals of the President in his annual state of the nation message to Congress? The guidelines set out by Congress itself? The guidelines set out by the Philippine Constitution? Or the guidelines laid out in the latest national Development Plan?

Economic plans prepared in the past by the President alone were not officially endorsed by Congress due mainly to the non-participation of the latter in their formulation. Joint Resolution No. 2, also known as the "Magna Carta of Social Justice and Economic Freedom." It is said to represent at least for Congress, the first effort to start "organized policy planning" and commits Congress to establish certain "essential policies and attitudes that should govern our struggle for economic development and social justice; to provide a nucleus of a social and economic philosophy for the nation; a compass... that would give direction to our labors and provide the definable frame of reference by which we may measure

and assess the merits of individual pieces of legislation."[4]

The paramount objectives of economic policy expressed in the resolution include the "sound and balanced development of the economy on a self-sustaining basis with emphasis on basic and integrated industries...; widespread application of science and technology by the people; attainment of maximum employment; and growth of per capita real income."[5]

The attainment of these objectives of Filipinization and economic independence would require the fleshing out of specific program areas and point to national planning as the crucial element in the development strategy.

All-encompassing as the Magna Carta of Social Justice and Economic Freedom already seems, it was followed by yet another one House Joint Resolution No. 3.[6] The emphasis this time is on the provision of a framework for physical and environmental planning. Presumably the National Framework Plan envisioned refers to the same comprehensive development plan for national development provided for in Joint Resolution No. 2, but further broadened to emphasize the necessity of integrating the economic, social, as well as the physical aspects of planning. Economic and physical planning until recently have been "treated as separate and distinct processes," with little focus on physical planning which is regarded as "something that can take care of itself."[7]

The two joint resolutions certainly overlap at some points although Joint Resolution No. 3 is more explicit about the extension of local planning to local governments.

As we shall see later, the Development Plan for Fiscal Year 1972-1975[8] delineates and sets out similar programs, priorities, and goals with some differences in emphasis and in program categories; but the plan is less encompassing in its non-inclusion of cultural and political aspirations.

While the concept of free or mixed enterprise still predominates, the planning-orientedness of government strengthened by recognition on the part of the private sector that the expansion of the Philippine economy can proceed rapidly only if we plan for it,[9] has led to a kind of comprehensive and integrative planning we have today that envisions not only economic planning per se, i.e., planning for economic growth but also planning which includes more effectively all other aspects of development. Seldom is the fear expressed that comprehensive planning may eventually result in rule by a self-perpetuating group of specialists. What is not quite perceived, except gropingly, is that in planning what industries shall expand, receive or support, one of course, inevitably plans what groups shall hold power and perhaps further entrench some vested interests.

On the whole, then, economic and social development have been treated as an indivisible duo. Development per se is recognized as a "process

of social change" the ultimate aim of which is to improve living conditions of the people. All other goals of development (e.g., increasing output, improving the terms of trade, and providing services) are "not ends in themselves but are intermediate steps toward attaining social progress."[10]

The Plans

More specifically, the goals and priorities of recent plans expressed concern over key program areas: domestic production, export production, balance of payments, price stability, and a general concern for the improvement of the plight of the common men; that is to say, a continuing concern over the primary ends of economic policy. The difference lies in the means by which these issues were attacked; the relative efforts sustained or sporadic, exerted; and the emphasis in the pursuance of these objectives.

As far back as 1947, the Hibben Plan had recommended the expansion of domestic production, export production, and infrastructure facilities. In the same year the Beyster Plan emphasized the systematic allocation of Japanese reparations to industries with forward and backward linkages.

In 1950 the Philippine-U.S. Agricultural Mission Report and the Yulo Plan recommended a long-range plan of agricultural development. An electric power program was outlined in a 12-year power development program

(1948-1960), prepared by the Westinghouse Electric International Corporation and the National Power Corporation (a government-owned and -controlled corporation). In the Cuaderno Plan of 1948, priority was given to projects which were expected to yield returns on investment within a relatively short period of time except for some essential public projects. The Bell Report of 1950, recommended adequate amounts of social services and social investments. Following the project approach, the Yulo Plan of 1953 suggested six development projects on a counterpart basis. The Locsin Plan of 1958, enunciated the "Filipino First" Policy.[11] In the Philippine Stabilization Program of 1959, Miguel Cuaderno, then governor of the Central Bank, instituted a stabilization program intended to solve the balance of payment difficulties, arrest prices, and induce greater production.

Medium term plans formulated attempted a more comprehensive approach, and these include the following:

1. The Rodriguez Plan (1955-1959). Adopted by the National Economic Council, it sought inter alia, to utilize present resources for the development of agriculture, public works, irrigation and power, and social services, and to provide a few basic incentives most attractive to private capital.

2. The NEC Plan (1957-1961). This plan marked the culmination of a prolonged and confusing postwar period of experimentation with planning. It is the first comprehensive fiscal plan to link closely government transactions and priorities to general guidelines and priorities in the Development Plan.

3. The Macapagal Five-Year Integrated Socio-Economic Program Plan (FY 1963-1967). This is the first plan ever to be submitted by the President for the consideration of Congress. Its objectives were:

(a) to restore immediately economic stability;

(b) to alleviate the plight of the common man;

(c) to establish a dynamic basis for future growth; and

(d) to specify targets for export earnings.

4. The Marcos Four-Year Program (FY 1967-1970). This plan was designed to up-date the Macapagal Plan; it is notable for its integrative planning of infrastructure facilities. The development projects specified as public works priorities included highways, portworks, airports, air navigation, railroad, telecommunication, power development, rural electrification, waterworks, artesian wells, irrigation, river control, national buildings, hospitals and sanitaria, shore protection, school buildings, community development projects, and preliminary engineering works.

5. The Philippines Four-Year Development Plan, FY 1971-1974.

The Plan attempted to set out more specific targets than the previous ones. Briefly, it contains the following elements: "(a) An estimate of the economic growth that is expected to result from the public investment programs and from the private sector's response to the proposed policy measures; (b) A sectoral investment program covering the fixed capital formation projects undertaken directly by the government, mostly in the form of infrastructures and those undertaken by the private sector with government support; (c) A section on the prospects for financing the Plan, in terms both of domestic resources and capital flows from abroad, and (d) A conceptual framework of the administrative requirements of the government for a more effective implementation of the Plan."[12]

6. The Philippines Four-Year Development Plan, FY 1972-1975. This will be discussed subsequently.

The above summary give us a bird's eye view of plans prepared and their evolution from merely sectoral (or special purpose) plans to more comprehensive ones that have attempted to define both the public as well as private participation, and to set priorities on what are believed to be the most urgent needs.

Have these been merely paper plans? The sectoral or specific purpose plans were prepared as guidelines for specific executive agencies.

They have been useful as frames of reference for programmed lines of action and projects subsequently undertaken by the government. These plans however, have been primarily public sector plans. As is characteristic of mixed economies, the portions of these plans pertained to the private sector, were mere indicative of what could be done, rather than controlling, and, as we shall see later, proved more problematical than the public sector as to actual performance.

The Fiscal Plans

Let us next examine cursorily some of the fiscal Plans[13] and the budget expenditures of government in order to obtain a first approximation of the functional and the key program priorities of government, as these are expressed in and later on translated into, specific decisions in the budget and in implemented policies in an effort to link more closely the objectives of the development plan to the financial and physical capabilities of government.[14]

The Fiscal Plan first prepared in 1957 (the Five-Year Fiscal Program for 1957-1961) attempted to present to Congress an all-inclusive financial plan.[15] It intended to reflect policy and administrative decisions in the Executive Branch of government, as well as to parallel and reflect the basic plan of national development prepared by the National Economic Council.

Following the general policy guidelines set out in the Development Plan, the Fiscal Plan embodied the economic objectives of high employment, steady price levels, and maximum productivity. Considered critical, then as now, were the amount of government expenditures for capital outlays, the balancing of the general fund, the policy of resorting to long-term borrowing for economically feasible and viable capital projects consistent with the maintenance of monetary stability, and revision in the tax structures.

The general program emphasis was on "economic development for the purpose of stimulating agricultural and industrial production," and thus 47.6 per cent of the total funds was allocated for this purpose. Priorities were varied and wide ranging, with the "ultimate criterion" being "whether the anticipated benefits adequately justified the economic burden they impose either by taxation or borrowing." A proposal in the 1958 Fiscal Budget included the setting up of a "Special Development Fund" to constitute a permanent capital development fund over the years.

The five-year 1963-67 Fiscal Plan, unlike its predecessor, assigned top priority to social development rather than to economic development. The main supporting programs were also shifted and were categorized differently from the previous Fiscal Plan, so that it would be difficult if not impossible to compare actual expenditures for particular programs and priorities over the years.

The 1963 Budget marked the first time that the need to satisfy regional needs in the form of public works was recognized. The FY 1964 budget again emphasized the need to allocate the highest possible proportion of available resources to infrastructure facilities or to the expansion of economic over-head. The main supporting programs were likewise detailed differently from previous ones, encompassing and giving equal emphasis to most of the multiple objectives aimed at. Fiscal policy guidelines included a reiteration of the annual plea for a "balanced budget."16

The Philippines Fiscal Plan for 1967-70, which started the transition from a five-year plan to a four-year plan,17 segregates an "economic development budget" setting out quantitative targets for direct capital formation, capital transfers, and development services. The last includes current operating expenditures which are a necessary complement of the budgetary capital outlays, which represent the bulk of the "economic development budget." The magnitude of projected economic surplus of budget operations, on which the bulk of development financing depends was substantial and (to say the least) optimistic, considering past performances. Note also the effort to link the budgetary classifications to the national income and product accounts of the government.

The Four-Year Fiscal Plan for FY 1969-1972 and the FY 1969 budget taken together, projected a slight priority of social development expenditures

over economic development expenditure for 1969-70 and bigger amounts for the latter in 1971-72. This plan inaugurated a budget which it called "economic budget with a social conscience."

Like the FY 1971-74 Fiscal Program, the 1967-70 plan reveals the gap between gross domestic investment and domestic savings, and the severe constraint imposed on the program by the balance of payments problem. The Fiscal Plan thus called for an expansion in direct investment expenditures. The estimated gap between development outlays and capital receipts amounted to ₱1.9 billion ($478 million converted at the rate of ₱3.90 to $1) or over half of the total capital expenditures projected for the four-year plan period. The theme was "capital accumulation within a social framework," and in this connection there were significant program proposals, (1) to effect reforms in the administrative structure, machinery, and processes of the government, and (2) to re-orient the military establishment toward increased participation in the development process and to use it in implementing economic development projects. The latter proposal is unique in Philippine experience, although not without precedent. The intertwining of economic and non-economic development objectives are noteworthy efforts at integration.

The Budgets

Do the budgets reflect expressed governmental priorities?[18]

National government expenditures for economic development by industrial sectors indicate that the agricultural sector has not received as much of the government's cash resources for economic development as transportation and communications. For the period 1955-1969, agriculture averaged 29.1% with the trend seemingly declining, whereas transportation and communications averaged 51%.[19] Commerce and industry averaged 8.1% for the same period with the trend also declining. The abrupt increase in other economic development expenditures will presumably benefit the two lagging sectors. There will be continuing emphasis on transportation and communication, as envisioned in both the Four-Year Development Plans for FY 1971-1974 and FY 1972-75; and the bulk of government resources for economic development will thus be concentrated on providing for [illegible] structures.

The budgetary allocations for the different departments[20] will perhaps provide first approximations on program priorities. Percentage distribution of the expenditure of the National Government by Department from all funds for 1968 and 1971 were as follows:

	1968		1971	
	Total (in million of pesos)	Percentage (100%)	Total (in million of pesos)	Percentage (100%)
Legislative Branch	53.9	1.8	92.3	2.1
Executive Branch	2,846.1	98.2	4,336.6	97.9
Office of the President	208.6	7.1	254.2	5.7
Office of the Vice-President	.15	.05		
Department of Foreign Affairs	33.2	1.1	42.5	.95
Department of Finance	274.1	9.3	522.8	11.8
Department of Justice	70.3	2.4	126.7	2.9
Department of Agriculture and Natural Resources	113.9	3.9	152.6	3.4
Department of Public Works and Communications	604.8	20.5	744.2	16.8
Department of Education	761.7	25.9	1,108.3	25.0
Department of Labor	6.3	0.2	10.9	.24
Department of National Defense	434.5	14.8	702.6	15.9
Department of Health	117.1	4.0	194.4	4.4
Department of Commerce and Industry	23.3	0.8	53.5	1.2
Department of General Services	14.6	0.5	17.9	.40
Office of Economic Coordination	.80	.05		
Department of Social Welfare			15.8	.35
Department of Agrarian Reform			23.9	.53
Other Units	219.7	7.5	366.3	8.27
Judicial Branch		0.2		0.2

The Department of Labor which logically should be the "social conscience" of government deals only with labor enforcement and labor conciliation and was allocated the smallest budget among departments (₱6.3 million). The Reorganization Commission has proposed, and appropriately so, that it play a more positive and active role in the effective development and utilization of human resources.

THE NATIONAL GOVERNMENT

National government expenditures, which increased more than five times in absolute terms from FY 1955 to FY 1969 (averaging approximately 11% of GNP) went primarily to social and economic development items,[21] making up on the average two-thirds of the total expenditures. Social development expenditures however, has taken persistent edge over economic development. A look at the general fund shows that it has been expanded primarily for social development, despite repeated government pronouncements that more funds will be diverted to economic development. (See Appendix 4.)

Viewed in macro-economic terms, national government expenditures in the 1960's went primarily to exhaustive items and so-called development services, and the rest to capital formation, subsidies, current and capital transfers, and direct lendings. (See Appendix 5.)

Current and capital transfers, direct lending, and subsidies are decisions involving cash outlays which are non-exhaustive expenditures of government entailed in the process of influencing the consumptive and investment activities of the private sectors. On the whole these types of

expenditures averaged 14.8% for the period indicated. Subsidies ranged from a miniscule 1% net for FY 1966 to 6.3% for FY 1963. These do not include implicit subsidies and transfers.[22] Subsidies averaged 3.1% for the period; the amount involved is minimal in absolute terms, but substantial in its redistributive and externality effects.

National government expenditures are reported to have been made up primarily of current outlays amounting to 85% on the average for FY 1961-69; the balance of 15% was capital outlays. However, this way of delineating expenditures is misleading and liable to misinterpretations. Current outlays do not only represent costs of administering the government classified under general government but also the costs of "developmental services," as earlier indicated.[23]

LOCAL GOVERNMENTS

Local government expenditures account for an average of 20% of total local and national government expenditures,[24] and should not be ignored in an ex post overview of the implications on development planning of government expenditure. Provinces, cities, and municipalities averaged 30.6%, 41.2%, and 30.4%, respectively, of total local government expenditures from 1961-69. For FY 1951-60 the pattern of distribution of local government functional

expenditures differed greatly from both the pattern of the combined expenditures of all levels of government and that of the national government. For FY 1961-68, however, local government expenditures followed the trend in the national government (i.e., with local resources tending to go primarily for social development followed closely by economic development expenditures). (See Appendix 6.)

At the municipal level the drastic shift to social services was in line with former President Ramon Magsaysay's "grass roots" policy of focusing government attention on the rural masses.[25] The pronouncements of successive administrations have not deviated much from this concern for the people's welfare, as the pattern of municipal government expenditures appears to confirm.

The pattern of cash outlays of both national and local governments indicate in broad terms the welfare functions which have emerged through time. Whether this resulted from "process" or "substantive" criteria, the pattern confirms the social-orientedness of the expenditure outlays of government. It is significant to note, however, that projections of average annual growths of government expenditures for the FY 72-75 Plan period indicate a shifting of emphasis to economic development expenditures and to increasing the capital outlay component of social development and general government expenditures.[26]

Part V

DEVELOPMENT POLICIES AND PLANNING METHODOLOGY

Strategic Policy-Making

Sectoral Policies

- Social Welfare and Development
- International Balance of Payments
- Agriculture
- Fiscal and Monetary Operations
- Industry and Commerce

Development Plan for FY 1972-1975

- Agenda for Reforms
  - Wage Policy
  - Interest Rate Policy
  - Tariff Policy
  - Foreign Investments Policy
  - Export Policy
  - Import Policy
  - Tax Policy
  - Expenditure Policy
  - Rice Price Policy
- Some Aggregative Indicators

The Conceptual Framework

Some Critical Factors

Strategic Policy-Making

Has policy-making been merely a "hit or miss" affair as claimed by many?

A management audit of both the legislative operations and internal administration of Congress reveals, inter alia, that "nowhere in the Constitution nor in the House rules has there been a guideline of a legislative program."[27] What passes for a legislative program, it is stated, is determined in the majority party caucuses and that the party stand usually refers on' to a few measures or to partisan legislation. The indiscipline in the ranks of the "party-in-parliament" and therefore the absence of a genuine program has resulted in undue delays and snags in the legislative process; Congress is, in effect, directionless, its working committees cluttered with numerous private bills. In such a situation President's influence upon the legislative process has inevitably grown tremendously through the years reinforcing his formal powers to initiate policy through administration bills, through his certification of the urgency of bills, through his exercise of veto powers, and through his power to transfer and to program the release of funds. The President, whoever he is, invariably becomes adept in using extra legal methods in bearing upon legislative officials as well as upon individual solons.

Proposed legislation on socio-economic reforms in FY 1970-71 consisted mostly of proposals to create new institutions or to nationalize certain business enterprises, rather than remedial legislation to strengthen existing institutions presently performing similar functions or aimed at attaining similar objectives.[28]

The Congressional Scoreboard reveals that most bills enacted into law in 1971 were of local application (213 out of 254) and only 41 of general interest. These 41 included the establishment of the Oil Industry Commission (R.A. 6173) and the Population Commission (R.A. 6165), as well as the imposition of Price Control (R.A. 6373) and Rent Control (R.A. 6359). The reorganization of the government was mandated by R.A. 6172 and R.A. 6175.[29]

Relating policies to fiscal plans and priorities in the budget is greatly constrained by the fact that "some members of Congress do not go beyond the reading of the beautifully worded budget message of the President which in some instances does not have any relevance to the contents of the body of the budget."[30]

In its Session of 1970, aside from approving the General Appropriations Act amounting to ₱3,323 million, Congress approved 50 other special

appropriation laws authorizing expenditures of ₱118 million, although the Treasury was no longer in a position to support these appropriations. As of June 30, 1970, the total appropriations for Public Works which could not be released due to lack of funds amounted to ₱9,383 million. Continuing appropriations "subject to the availability of funds" have thus distorted the concept of an annual budget as the annual operational component of the Development Plan.[31]

There exists quite a number of rather formidable environmental constraints e.g., the peace and order situation; the phenomenon of brain drain; the inefficient and incompetent civil service; the effects of geographic dispersion upon transportation and communication, particularly the inadequacy of port facilities and services, and the resulting imbalances in regional development, and a host of others,[32] which not only affect but perhaps even explain why it has been difficult to business administration to implement some of the development policies and plans or why there has been inaction on them.

Partly contributory perhaps to the long list of ills mentioned is the inadequacy of basic economic statutes formulated to guide or influence the private sector and their inadequacies when they exist. It is contended,[33] for instance, that these economic statutes have been senselessly copied from the United States without regard for the peculiarities of the Philippine business setting. The emphasis, it is argued, has been upon "regulation /_rather_/ than

stimulation" of enterprise, which is not consistent with the "atmospheric theory of government and business relations,"[34] which is purportedly the basis of government policy. American regulatory statutes were adopted to curb the excesses of economic activity carried out under free enterprise but in the Philippines "we adopted the statutes even before free enterprise in the field of corporate industrial and financial activities reached full fruition of activity which should not be the case in view of our growth objectives."[35] That was certainly the case sometimes ago; but perhaps we have been moving away from the practice, as exemplified by the seemingly all-out drive for export promotion, as will be seen later.

How often have we reviewed existing legislation on corporations, securities, insurance, banking, anti-Dummy Act, mining, public service, forestry laws? Have specific proposals e.g., adoption of more stringent anti-trust laws to prevent monopolies and proliferation of family corporations, been propounded to relate them more closely to the dynamic changes and varying requirements of national objectives? Undoubtedly, some efforts (as will be shown later) have been exerted along these lines. However, it may be averred that these serious matters have not merited as much attention as they deserve, and the efforts as instead expanded on the more superficial "need" to change the governmental machinery or structure or to create new

units or agencies "to cope with the times."

Thus while Congress has been legally vested with the function of policy formulation, it has assumed its role passively. A good example was when the peso was devalued on February 21, 1971, by the Central Bank with the approval of the President of the Philippines. Congress did not participate in such a decision. Another example of inert congressional leadership was its failure to participate actively or to initiate legislation in the area of foreign affairs, at a time when foreign policy has tremendous economic implications and ramifications.

Let us next examine some of the more outstanding examples of so-called inconsistent policies that have tended to contradict if not nullify announced priority guidelines or objectives.

One study tended to show that the changing sectoral resource allocation had a very small and negative impact on overall Philippine growth rates during the second half of the postwar period. This recent lack of Philippine success in attaining minimal growth rates in relation to total factor productivity is attributed to a "faltering pace of industrialization." Indeed, industrialization, if defined only in terms of the shift in the sectoral use of labor resources, may be said to have been grounded to an abrupt halt in the 1960's.[36]

Another study[37] applying the labor surplus models of Lewis, Ranis and Fei underscores the failure of the Philippine economy since 1956 in changing the sectoral distribution of employment attributed largely to the rapidly rising capital-labor ratio in industry and manufacturing.

The rise in the capital-labor ratio in manufacturing presumably has its origin in a growth pattern which has increasingly favored capital intensive industries and in the movement towards more capital intensive techniques within the firms themselves or within newly created firms. These are blamed on government policy which is "so biased relative to factor prices that the resource mix and activity choice reduced the rates of employment generation."[38]

Similarly, Professors Power and Sicat have argued that government policy "has stifled industrial growth, that it has precipitated increasingly poor resource use, and thus repressed both national and employment growth."[39] It was further contended that minimum wage legislation has been biased against labor intensive processes strengthened by government lending institutions which encourage inappropriate factor mixes by supplying credit to favored industries at rates below those prevailing in the market. Power has shown that the protective tariff structure prevailing since decontrol still presents a very strong bias against the development of a capital goods industry, a parts-

supplying industry, intermediate goods industries of all sorts, and manufacturing export industries in favor of finished consumption goods.[40]

Sicat contends that very advanced labor laws have worked against the absorption of more labor into other economic undertakings and have in fact preceded the creation of more job opportunities in the country. Thus, there had been a trade-off between higher wages and highly protective labor legislation, on one hand, and employment, on the other.[41]

Legislation made in the name of rational allocation of resources were made in favor of "industrial and politically articulate inward-looking blocs of private interests" bent on preventing further entry into what may have become considered as "private preserves."[42] Fabella further contends that too often policies are formed only if a specific case requiring immediate decision has been brought to the attention of government, and more often than not the decision is limited to a specific aspect of the case, rather than taking the form of an overall policy.[43]

Indeed various sectors abound with examples of inconsistent and unclear policies.[44]

Fiscal and monetary policies de-stabilizing because they were introduced by policy-makers according to their perception of the requirements of political success, have been partly blamed for the unevenness of economic

growth. It has been argued that "instability does not reflect the impact of uncontrolled events, but rather it is built into the Philippine political system."[45]

It does seem that one of the "triple crisis" that of policy formulation remains a problematical area in development analysis and planning in the Philippines. Perhaps NEC Chairman Gerardo P. Sicat has a basis for stating that "past economic policies are to blame for the mess in the country."[46]

Obviously, policies formulated have militated against the very objectives sought. There seems to have been inadequate feedbacks to serve as a basis for remedial measures. Moreover, the processes of policy formulation and decision-making still need closer integration. Fortunately, shortcomings have been recognized, as may be seen in the "Agenda for Reform" set out in the Development Plan for FY 72-75, a call for specific policy actions and remedial legislation in certain crucial areas, such as wage policy, interest policy, tariff policy, foreign investment policy, export policy, import policy, tax policy, expenditure policy, rice price policy, and labor policy. It may be noted that while these are mainly traditional instruments of economic policy, they have social repercussions; and failure to utilize them properly would defeat the end of public policy.

Let us next examine briefly some of the more critical elements of past sectoral policies for which the "Agenda of Reforms" in the FY 1972-75 Plan attempts to reconcile and partly resolve.

Sectoral Policies[47]

Social Welfare and Development

Social development necessarily requires an integrated program for housing, education, manpower training, health and employment. For instance, labor absorption or increasing employment opportunities would imply the manipulation of the wage rate, as well as investment promotion and export promotion in the industrial sector.

While the government budgets have been consistently "socially oriented," as indicated earlier, government policies which do not necessarily require direct funding (such as fiscal, monetary, industrial, credit, housing, wage and price policies in the form of indirect controls) have militated against the objective of equalizing expenditure effects through expanded social services.

Examples are laws against labor-intensive methods of existing tax, tariff, and credit policies; the absence of a consistent plan for social services resulting in a competition for regional support and maintenance, as in the field of manpower training and development; absence of regional employment agencies; increasing prices; ineffective and inadequate land, housing and financing schemes; and the predominance of indirect taxes.

Low cost housing policies have benefited middle income groups rather than low income groups.[48]

The efforts seem to have been principally geared to the evolvement of policies and programs for encouraging economic or productive activities which gave too little attention to their possible redistributive effects.

International Balance of Payments

Exchange controls were instituted in 1949 in order to allocate foreign exchange for imports and restrict remittance of profits, resulting in the establishment of import substitution and capital-biased industries dependent on imported raw materials, ending in failure to produce the expected savings in foreign exchange. A program of gradual foreign exchange decontrol started in 1960 culminating in full decontrol in June 1962.[49] Decontrol led to increased industrialization and improved the competitiveness of some domestic industries both in the domestic and foreign markets. However, it also created unfavorable side-effects. Thus by encouraging importation in general[50] it depleted foreign exchange reserves and started off the present balance of payment difficulties made worse by accompanying graft and corruption. The period of the 60's was characterized by the efforts to correct and counter-balance earlier policy actions of the previous decade.

The temporary benefits of devaluation in 1962 and in 1970 seem to be waning. While the 1970 de facto devaluation of the peso relative to the dollar

has resulted in increased exports, it remains to be seen whether the net effect will be positive.[51] Negative externalities are most evident in the drastic increase in prices of commodities whether import-oriented or not and the consequent shifting of the burden of industrialization to the common tao.

There are current proposals to revert anew to more stringent controls and the pegging of the exchange rate to P5-P6 to the $1.00[52] but this is still hotly debated, the prime conflict being the "efficiency" vs. "equity" criterion. Debt management stands out as the main balance of payments problem for the FY 72-75 Plan period.

Agriculture

Important as it is agriculture has been a relatively neglected sector. Land reform, which is inextricably tied with agricultural development (except, of course, the commercial export sector), is a functional concern of the Department of Land Reform. Noted earlier is the relatively low cash outlay going to the agricultural sector as may be seen in the relatively small budget of the Department of Agriculture and Natural Resources, and the low priority given to it in the extension of credit facilities by both government financial institutions and commercial banks.

Concern over land reform has characterized previous administrations as well as the present one. A host of institutions were created to bring it about starting with the Agricultural Tenancy Act of 1954 of President Magsaysay, designed to improve the condition of the tenant-cultivator and the small farmer. This and the other institutions, however, did not yield the expected results due to financial limitations and administrative deficiencies. The latter is due mainly to the autonomous operations of the land reform agencies. This situation is hoped to be remedied by the recent creation of a Department of Agrarian Reform (R.A. 6389) and the passage of the Agrarian Reform Funding Act (R.A. 6390) and the Coconut Investment Fund (R.A. 6260).

The rice price problem, a consequence of the supply and demand situation, has been made worse by floods and other natural calamities. This has been partly resolved by price control ceilings and subsidies, but bugged by inadequate data and statistics as illustrated by conflicting reports and policy measures. Micro-level problems of marketing and financial intermediaries in the rural areas as well as inadequacy of overhead facilities still have to be tackled. Another matter to be resolved is the question whether subsidies should not be shifted to become producer-oriented.

Fiscal and Monetary Operations

In the fiscal and monetary fields, specific problems persist, such as the relatively low taxes/GNP ratio;[53] the poor tax collection;[54] the inability to pass new tax laws (e.g., taxes on idle lands and affluent consumption, and

increase in inheritance, estate, and gift taxes);[55] the need for sounder expenditure policies;[56] (the extensiveness of short-term foreign loans,[57] which contributed to the depletion of foreign exchange reserves; the absence of safeguards in borrowing laws;[58] the undue concentration of government instruments of indebtedness in the portfolio of the Central Bank and government financial institution;[59] the application of a substantial portion of public debt for budgetary programs; lack of a planned structure of public debt;[60] the unsystematic and inefficient handling of projects financed out of loan proceeds;[61] and the defects in the budgetary system.[62]

The economy requires capital inflows of U.S. $400-$500 million a year on the average, obtained primarily from official development assistance in order to relieve the country of its "unfavorable external debt profile." The targeted rate is 35% to 40% of total capital inflows with the coordinating facility of the Consultative Group. Assistance from the United States has diminished in the 1950's and 1960's and is not likely to increase in the 1970's, but continues to be the most important source of development assistance given by any country. It exceeds assistance from the UN Development Program.[63]

Projected new debt by source for the Plan period FY 72-75 indicates that 70.0% will come from private sources (9-year repayment period); 13.5% from international organizations (15-year repayment period); and 16.5% from bilateral sources (20-year repayment period). Apart from the usual fiscal variables

affecting the financial resources of a projected Plan, prevailing ideological attitudes have tended to influence the possible character and magnitude foreign debts that may be tapped.

Fiscal policies closely interrelated with the program of industrialization, specifically tax incentives or disincentives and tariff policies, have resulted in undesirable resource allocation such as the encouragement of inefficient though profitable industries. (These will be examined more closely under the heading of industry and commerce).

One difficulty in the monetary field lies in the disagreement of CEPO and NEC on the proper instrument to effect a stabilization program for the economy. CEPO contends that the fundamental failing in monetary and credit policies is the CB's insistence on the administrative convenience of free market interplay in regard to domestic credit and foreign exchange policy. It says that "this is based on America's free market capitalism as a model" and would not work in the Philippine setting. In particular, CEPO claims that the policy of "free market availment" may be faulted for "effectively promoting the interest of various economic interests" representing a rather small segment of Philippine society. This thinking is crystallized in H.B. 5307 (Villareal Plan) which, among other things, proposes to set a base rate for the peso in relation to the dollar. The NEC Chairman, on the other hand, defends the current policy of letting the peso seek its own level.

The CB, through various forms of credit control and the sale of CBCI bonds, was able to control the quantitative growth rates of money supply within the 15% limit specified by its charter despite growing demands for credit and the increased peso value of exports.

The cost of credit readjustments, among others, resulted in the rise in money market rates of 21% in October 1971, way beyond the limits specified by law. This diverted funds from the stock or capital markets, as well as bank funds, from more essential and productive employment; it also explains the growing lack of long-term and medium-term money. These developments also tended to favor big establishment companies that could obtain credit almost anywhere.

Significantly, it has also been noted that during the past five years, short-term loans represented 98% of total credits extended by the banking system, and only .3% were extended in the form of long-term loans. In 1970, approximately 50% of commercial bank credit was extended to trading, 20% to industry, and only 10% to agriculture. The bulk of the credits to agriculture and industry has constituted the working capital financing of existing firms and factories.

Another problem is the over-concentration of money supply and credit facilities in Manila and urban areas. This trend is expected to continue

for the next decade owing partly to the concentration of existing entrepreneurial talent in urban areas.

Industry and Commerce

Quantitative indicators show an absolute increase (but also a relative decrease) in the contribution of the industrial sector to NDP (net domestic product) as of 1970, with manufactured products accounting for a minimal percentage (3.2% or $34.2 million) of total exports ($1,082.1 million). Exports comprised mostly of the traditional unprocessed raw materials.

The de facto devaluation of the peso has had positive and negative effects. Negative effects include the continuing risk or uncertainty associated with investment transactions and its possible disincentive effects on the behavior of the private sector. Positive effects include the possible encouragement and promotion of the export of manufactures which is expected to alleviate the balance of payment difficulties and provide adequate financing of necessary import requirements. The net impact on the export sector, however, still remains to be seen. Manufacturing, the most important aspect of industrialization, has not shown any dramatic changes since the 1970 de facto devaluation policy.

Industrialization policies, which are closely interrelated with foreign exchange and fiscal policies discussed earlier, include the following general inadequacies or inconsistencies:

1. The backward integration of domestic manufacturing industries is discouraged by inconsistent or discriminatory tax and tariff policies.

2. The integration of the domestic market is prevented by inadequate infrastructure and transportation facilities.

3. Concrete steps still need to be taken to disperse industries throughout the country; they are over-concentrated in the Greater Manila Area.

4. Manufacturing industries are still heavily import-oriented and capital-biased and still geared to meeting the limited needs of the domestic market. Efforts are being exerted to establish closer regional cooperation with neighboring countries (e.g., the progressive car manufacturing plan), although in this instance cooperation has thus far been deterred by the conflicts between the BOI and the NEC as to the number and choice of companies which would participate in the project.

5. Government resources are inadequate to effect the establishment of small and medium-scale industries.

6. The task of setting up coordinative and effective schemes for the financing and credit of industries given priority status by the BOI remains to be effectively accomplished.

7. There is a proliferation of regional development authorities most of which are non-operational due to manpower and financial inadequacies as well

as conceptual difficulties. The concept of "region" and the criteria for regionalization has not been resolved up to now. Municipal atlases which were prepared in 1969 and meant to be the basis for local development planning were said to be merely an inventory of "existing or desired" projects rather than "development" projects per se.

8. There exists an imbalance in the growth of regions; thus there are serious problems of effecting a balance between agricultural and industrial development as well as in the matter of strengthening trade relations between the urban and rural economic sectors through the linkage of intermediate industries.

Having regard to these problems legislative proposals were framed and some were enacted. Thus R.A. 6135 (Export Incentives Act) was intended to influence both the supply and demand side of export trade; this measure is expected to be strengthened by a pending bill which would create a Philippine Export Credit and Insurance Corporation to provide for export insurance. Amendments are also proposed to the charters of government-owned and controlled corporations, such as those of the Philippine National Railways (R.A. 6366) and the National Power Corporation (R.A. 6395). Another legislative proposal is the National Economic Development Act of 1972 (Villareal Plan), now pending in Congress, which is intended to integrate and coordinate foreign exchange transactions.

General guidelines for proposed legislation have been worked out and specific areas for further inquiry have been identified; but details of implementation techniques are still to be worked out.

The previous section highlights the enormity of the specific tasks to be performed. It will be noted that the sectoral policies dealt with do not even include equally important areas pertaining to general governmental affairs, such as foreign affairs, national security, law enforcement, administration of justice, and regulatory administration.[64] What to do next? The Development Plan for FY 1972-1975, which is rolled over from the Development Plan for FY 1971-1974, seeks to recommend further means by which the "resources and requirements" of the different sectors can be reconciled.

Let us then examine more closely this latest Plan for development. Necessarily, an examination thereof can at best be aggregative, cursory, and selective.

Development Plan for FY 1972-1975

The long-term objective of the Plan is the achievement of "sustained[65] material prosperity" for the largest number of citizens. This is the end-goal of economic policy.[66] Subsidiary goals are as follows: "high per capita income, full employment, equitable distribution of income and wealth, regional industrialization and development, and internal economic stability." Compared

with previous plans, the inclusion of the goal of regional industrialization and development is notable. The intermediate objectives of the Plan focus on solving two particularly urgent problems: the balance of payments deficit and unemployment. Accordingly, it adopts two strategies for directing investment flows within the economy, namely: (1) export promotion, intended to contribute simultaneously towards strengthening the balance of payments position and towards raising the level of industrialization by paying for necessary imports of raw materials and capital goods, as well as to promote internal price stability; and (2) labor intensity, with emphasis placed on the development of relatively labor-intensive activities as a principal avenue of attack upon unemployment problems. This carries distributive as well as efficiency implications and inevitable trade-offs and compromises. The 1970's, therefore may be expected to focus on export development and resource-based linkage industries.

To assist in investment decision-making, fifteen interrelated priority areas considered crucial from a macro-economic developmental viewpoint are identified, examined, and targeted to achieve particular growth rates. Included are land reform, manpower training, infrastructure, community development, family planning, cooperatives, educational reforms, housing, rural electrification, food production, export promotion, tourism, cottage industries and employment, land distribution, health, and ecology. One can

discern the emergence of new priority programs not heretofore mentioned or emphasized in the previous plans. An effort is made to formulate more realistic development policies for each sub-programs; qualitative aspects, which a mere growth model cannot possibly take into consideration are looked into. Attention is also focused on the organizational and administrative framework of government.

"Agenda for Reforms"

The "agenda for reforms" attempts to delineate specific policy instruments within the economic framework, taking into consideration its social ramifications. It is directed at remedying some of the sectoral ills previously discussed, supplemented by a further elucidation of the issues involved and specifying certain actions under each of the major programs and sub-program areas delineated. A separate Annex on development projects accompanies the Plan.

Wage Policy. The contention is that the effect of minimum wage legislation plus accompanying social security benefits is to increase labor costs especially in organized industries. The bulk about 60% of the labor force in unorganized production earns lower than the minimum wage. It was estimated that only about half a million laborers or less than 4 per cent of the total labor force benefitted from the 1970 minimum wage hike, thus,

increasing wage costs will defeat the objective of a more equitable distribution of income to those who will be farther away from gainful employment due to increased wage costs.

Moreover, maintaining a high minimum wage policy is expected to weaken the competitive advantage of export-oriented industries vis-a-vis foreign producers and hence may discourage the development of the export sector of the economy. It is held "probable that the artificially high cost of labor is significantly responsible for the organized sector's orientation principally toward the domestic market."

Reforms on wage policy indicative of the conflict between "equity" and "efficiency" criteria were suggested as follows:

(1) lowering minimum wage which is recognized politically infeasible but necessary to narrow the gap between minimum wage rate and the market rate;

(2) permitting industry-wide wage differentials in order to reflect differences in industrial labor productivity and employment conditions;[67] and

(3) giving local governments autonomy in setting minimum wage rates since the cost of living index varies among regions (or cities in the same region).

Some comments may be made, however, on the above recommendations.

One of the causes of price regidities is that wage rates once fixed are difficult if not impossible to bring down. Clearly, lowering minimum wage would be politically indefensible and may therefore not be administratively feasible. The second proposal is equitable and morally sound; but will take time to determine industrial labor productivity in each industrial sector. Up to this time, input-output relationships which assumes constant capital-labor ratios between industrial sectors have not as yet been perfected. A most appropriate starting point would be comparing salary differentials among agencies or units in the government sector itself; but here the profit criterion is practically absent, and therefore it is even more difficult to evolve criteria for productivity differentials. Furthermore, to allow local governments autonomy in setting minimum wage rates may be to over-estimate their capability to perform such tremendous and delicate tasks.

Interest Rate Policy. Proposed reforms seek to amend outdated provisions of the Usury Law enacted in 1916 and to eliminate some loopholes related to its implementation.

The artificial lowering of the cost of capital dictated by the Usury Law[68] has resulted in an excess demand for capital funds and made the granting of credit more vulnerable to corruption and nepotism. The lending criteria give greater weight to collateral than to the economic feasibility and returns of the projects. The consequence of low interest policy has been the encouragement of processes and industries which are relatively more capital

intensive than those suggested by a given factor endowment.

The contention, therefore, is that low interest policy and high wage policy represent two aspects of current economic policy which are incompatible with the national goals. Suggested reforms include:

(1) multiple interests rate structure devised in consistency with the directions of the preferred production activities, e.g., export-oriented industries and agricultural loans designed to foster rice and other foodstuff production; and

(2) the lowering of interest rates applied as a direct subsidy.

Recent experiences have shown that freeing the rate of interest from a fixed ceiling or singly raising the maximum legal rate leads to desirable economic changes.[69]

One wonders, however, if the impact on the borrowers will be such that, as in "money illusion," the appearance of a high legal market interest rate will serve as a disincentive both for well-established as well as new businesses, and whether or not these may be of the type that the government wants to encourage. It is interesting to note that, whether labor-intensive or capital-intensive, some working capital is necessary, especially pre-investment capital or those for pre-feasibility projects. The assumption is that the demand for capital is interest elastic. Is this hypothesis applicable in the Philippines? It has been said that the demand for capital is a function

of other equally important factors, and interest may only be one of them.

Tariff Policy.[70] The tariff policy of the Philippines has led to the unhealthy growth of an industrial structure which produces non-essential goods and imports the essentials, or what Sicat has called "reverse essentiality syndrome." The development of the export sector has therefore been stunted on account of the tariff policy. According to the FY 1972-1975 Plan the recent "floating" of the exchange rate meant to seek the equilibrium rate at which domestic demand for foreign goods would balance foreign demand for Philippine goods.

Two problems in customs administration, namely, smuggling and misdeclarations, are attributed to the present tariff policy. It is possible that only legal importation is discouraged by high tariff walls, not actual importation; consequently, foreign trade statistics become unreliable for policy formulation.

Suggested in the Plan as desirable are: (1) a gradual approach toward a uniform tariff on most imported goods plus no more than three supplementary rates for the protection of infant industries; and (2) the revival of presidential tariff negotiating powers to avoid bureaucratic delay.

It may be argued that making customs administration easier may conflict with the necessity of establishing an equitable discrimination between tariff impositions on commodity groups. As price discrimination is necessary in certain instances, so it must also be in the case of imported goods, both

for reasons of equity and efficiency. It may be added, however, that giving the executive the power to negotiate tariff rates may possibly be another source of corruption and controversy.

Foreign Investments Policy. The Plan proposes to open new areas of foreign investment in the country, as well as close existing ones where necessary. The Board of Investments is principally liable for directing and regulating foreign investment which has been entrusted to different economic bodies, as provided for in a number of legislative Acts, namely: the Investment Incentives Act of 1967, the Export Incentives Act, R.A. 5145 regulating investments with an equity participation of at least 30 per cent, and more recently the Foreign Trade Zone Law. There is also a proposal to establish an International Trade and Development Commission to formulate rules and regulations regarding the use of foreign exchange.[71]

Considered to be restrictive and as not seeming to serve development goals is the policy requirement that companies wanting to avail of export incentives have to limit foreign participation in equity to at most 40 per cent. Legislative action has been recommended which would prohibit foreign-owned companies from using short-term credit for remittances and dividends.

The Plan suggeststhat companies, whether joint ventures or 100 per cent foreign, be invited to the Philippines to set up factories "provided that their sales are made abroad," and further, that companies within the

foreign trade zone can be 100 per cent foreign.[72] It also suggests the re-examination and possible replacement of incentives by providing inducements for producers to engage in more labor-intensive techniques.[73]

Export Policy. The Plan considers the adoption of the floating exchange rate in February 1970 as the most significant decision affecting the export sector. In the same year, the Export Incentives Act of 1970 was enacted, preceded the year before by the creation of the Mariveles Foreign Trade Zone in an all-out effort to encourage exports. Incentives take the form of provision of physical and administrative facilities and extensive tax privileges.

Other complementary measures are sought in order to cure other noted deficiencies, such as the absence of export incentives for short-term credit as against long-term financial assistance granted for capital requirements. The Plan proposes to encourage commercial banks to lend more liberally to exporters, so as for instance, to allow the use of export orders on contracts as a basis for borrowing from banks. It also proposes the creation of an export bank to handle such specialized banking functions and the undertaking of an effective export promotion program. Thus, there was recently approved a plan for the creation of a Philippine International Trading Company which will serve as the central house for bulk trading and centralized financing to improve foreign trade.[74]

Import Policy. The Plan states that the "concern for a more economical use of foreign exchange /is/ misplaced in that the objective of external balance is elevated to a position of utmost importance."[75] An industrial structure biased toward the production of luxury goods can be expected from a policy banning luxury imports believed to produce substantial distortions in the allocation of capital; therefore, "if imports of luxury goods and other non-essentials are deemed not desirable, the only way a total ban on their importation will work without jeopardizing development goals would be to impose also a complete ban on the domestic production of similar goods."[76] The solution propounded would discourage luxury consumption and would avoid the drawbacks of an import ban by the imposition of high excise/sales taxes on both imported and domestically-produced luxury items, which to some extent is already in force at present.[77]

Tax Policy. The Plan makes clear that "if the tax base were restricted to the present coverage, resources would not be adequate to meet development targets."[78] It therefore suggests: (1) heavier taxation on wealth beneficiaries and luxury consumers, even as the danger of killing entrepreneurial initiative in the process is recognized, (2) prohibit extended tax holidays, especially in the cases of economically feasible projects enjoying tax exemptions whose viability would have remained unimpaired even if subject to taxes, (3) preventing the proliferation of special funds, which

cramps the flexibility of resource-use, and (4) avoiding the over-statement of the tax effort ratio which includes local government shares.

An alternative offer is to borrow externally. The possible inflationary effects, in addition to the debt service requirements entailed, are arguments against such an alternative. The choice narrows down between "a higher taxation quotient and faster rate of development or lesser development with low tax levels."[79]

Expenditure Policy. The Plan emphasizes the redistributive effects of developmental expenditures in improving the economic lot of the lower income groups.[80]

Thus, it proposes the following programs: (1) "direct subsidy" for low-cost housing; (2) financial assistance[81] to homeless families without effective purchasing power; (3) rural electrification; and (4) agricultural reforms.

Rural electrification is primarily justified on the basis of "external economies." It believes that a "direct government subsidy" is necessary to realize widespread rural electrification. It is estimated that only about 5 million out of a total 30 million people benefit directly from the electric services of public utilities. Left unanswered are the form which this "direct subsidy" should take and how much the government afford to give. Electric services, it must be noted, are presently provided by private franchise holders.

In the area of agricultural reforms, proposals included, (1) utilization of government resources for basic complementary facilities such as those for land redistribution and improvements in the tenure system, main and feeder roads, irrigation, water, fertilizers, etc.; (2) the improvement of distribution and marketing; and (3) the proper diversification of agricultural production to complement output gains in certain crops.

It may be added that the direct expenditure of government for its housing projects is a miniscule proportion of its total planned construction projects. The government contributes indirectly to housing construction through its policy priority lending for low-housing projects in two of its major financial institutions, namely, the SSS and the GSIS.[82] One wonders, however, if this housing policy incentive ultimately benefits the poor, unless certain restrictions (perhaps on the margin of profits or middlemen's fees of private developers) can be imposed. The government has a choice between expanding its direct involvement in the setting up and development of housing projects for low-income groups, or indirectly through the control and regulation of a "subsidized" private group to whom the subsidy accrues primarily as private developers rather than to the poor people for whom the benefits are intended.

Rice Price Policy. The rice problem is the most critical in the broad program of agricultural development, and the Plan appropriately sets this out. The supply and demand situation is the result of a combination of

factors arising from snags in the production, distribution, and consumption networks. In setting price ceilings for both producers and consumers as well as distributors, the government seeks to benefit equally all these groups, thus creating a dilemma.

Under R.A. 4643 rice producers are to be guaranteed a price floor of ₱16 per cavan of palay at RCA designated collection centers or bonded warehouses; consumers are guaranteed that rice purchased by RCA will be available through authorized agencies at a ceiling price of ₱1.40/ganta. (Note that the price has more than doubled.)

These floor and ceiling prices do not provide for flexibility when conditions change; therefore, the suggestion made was to set prices in accordance with a flexible pricing base, rather than fixed absolutely by law, in order to maintain a sufficient differential between the floor and ceiling prices and thus minimize the need to subsidize a price support and buffer stock program. Since the government cannot possibly do it alone, it was considered also desirable to shift as much of the financing to the private sector as is possible without weakening the effectiveness of the program. The price stabilization agency (RCA) is expected to provide an institutional base where the former could sell his palay or obtain a loan against it if he wished to delay final sale at floor price.[83]

Some Aggregative Indicators

The FY 1972-75 Plan, rolled over from the FY 1971-74 Plan, contains higher projections of annual average growth rates for GNP, net domestic product, manufacturing, mining, investment level, and export and import values through the fiscal years 1972-75. (See Appendices 8 and 9). Significantly, growth rates projected for agriculture have been adjusted downwards. However, the Plan assures that it does not contemplate holding agricultural growth down but seeks "to push the other sectors forward even more." It envisioned rather optimistically that in FY 1975 industry (mining and manufacturing) will catch up and be a contender for the leading sector.

Comparisons reveal that actual achievements for FY 1970 and FY 1971 surpassed most planned targets:

1. Actual aggregate expenditures or GNP for the two fiscal years consistently overshot plan projections by over seven per cent, with faster growth rates achieved for both consumption and expenditure components, bouyed up by a surprisingly high private capital formation that more than offset the low level of public investment.

2. Actual aggregate domestic production exceeded earlier anticipation despite agriculture and mining falling short of planned targets; the fall in agricultural targets is attributed to overexpectations in this sector, as well as to unforeseen elements, specifically the vicious typhoons that caused widespread agriculture destruction in late 1970. Manufacturing and all the other residual sectors combined, however, showed a high performance.

3. The external sector lagged slightly (.3%) behind the targeted level in FY 1970 and overtook projections by 12.4% in FY 1971 which resulted presumably from foreign exchange incentives. (See Appendix 10.)

Some other observations may be made:

1. For the two years FY 1970 and FY 1971, at least it can be said that the planned and actual aggregative targets have been approximately close enough to warrant the statement that the development plans have been realistic in approximating future economic behavior.

2. One must look more closely at the elements in the Plan, however, in order to be able to pinpoint specific deviations as well as to be able to evaluate the overall performance of the public and the private sectors.

a) Despite the increased cost of imports arising from the de facto devaluation of the peso (due to the introduction of the floating rate), the actual value of imports exceeded the target level by .8 per cent in 1970; likewise, imports increased slightly in 1971. This trend attests to the apparent continuing inflexibility of import patterns and requirements which fiscal or monetary tools, specifically indirect taxation, tariff, or controls have not quite solved.

b) The public sector has lagged behind both targeted levels of consumption and investment, notably the latter. As in previous years the social orientation of the fiscal plan seems to have prevailed

which meant pouring most resources to non-capital outlays which, however, may not necessarily be non-development. Despite the poor performance of the public sector in FY 1970 and FY 1971, the Plan again projects a substantial increase in the level of capital expenditures from FY 1972 to FY 1975. This optimistic projection is based, as usual, on a projected realization of new tax legislation which has been on the shelf for some time now. The annual average growth rate for public investment was 15.2% in the FY 1971-74 Plan and 31.2% in the FY 1972-75 Plan. Note that actual growth rate for public investment was 13.1% in 1970 and a negative growth rate (33.3%) in 1971.[84]

Current government expenditures (national and local) are projected to increased by 11.4% in 1972 and subsequently by 4.5% per year, while capital outlays are planned to expand by an annual average growth rate of 31.2%. Thus, public investment share of total investment will rise to 13.0% in FY 1975 from 8.5% in 1972. Government current expenditures, on the other hand, are projected to increase from a level of ₱3.3 billion in FY 1972 to ₱3.6 billion in 1975. Capital expenditures are projected to expand from ₱.68 billion in FY 1972 to ₱1.3 billion in FY 1975.

3. Are targets realistic? Targeted are:

a) an annual rate of increase in GNP averaging 6.9%, accelerating from 6.5% in FY 1972 to 7.0% in FY 1975;

b) a per capita average growth rate of 3.7% per year where population growth rate is constant at 3.1%; and

c) an average growth rate in domestic capital formation of 11.4% per year. The share of domestic investment in relation to GNP is projected to increase from 22.7% in 1972 to 23.8% in FY 1975. Why should this be so when the projected average growth rate of investment is more than double that of the FY 1971-1974 Plan? Imports, on the other hand, are projected to more than double the average growth rate estimated in the FY 1971-1974 Plan (i.e., from 4.0% under the FY 1971-1974 Plan to 10.8% under the FY 1972-1975 Plan).

4. Incentives for investments have been given, but not for savings. Mobilization of savings is expected to be affected by changes in the Usury Law, but how about non-institutionalized savings? The FY 1972-1975 Plan does not delineate projected savings and investments share for the public and private sectors or for sectoral components thereof, as was done in the FY 1971-74 Plan.

5. The sectoral target of "an initial agricultural thrust of 5.7% that should bring about self-sufficiency in food staples by FY 1972" has not been realized, as may be gauged from the present rice crisis.

6. The projections on the increase of money supply from 8 per cent in FY 1972 to 8.5%, 9%, and 10% for the years following deviate from the most recent money supply movements.

7. The Plan projects an unemployment rate of 5.2% for FY 1975, yet the macro-model predicts job creation in the order of 2.3 millions within the Plan period as against 2 million "entrants" to the labor force in the Plan period plus the absorption of about one million currently jobless workers and 3 million underemployed laborers.

The Conceptual Framework

Consistent efforts have been exerted in evolving more accurate and meaningful long-term projections of the movements of aggregative indices in the economy. Not long ago, the Philippine long-term projections have been deemed primarily to be simple projections as against intentional projections such as those of India and Pakistan.[85] Furthermore, the projections were just extensions in time of macrovariables, without explicit cognizance of forthcoming economic policies or economic plans and programs. Hence, it was concluded that "Philippine projections are based mainly on past parameters (maintained or modified by judgment), and no target variables or rates of growth of gross domestic product are assumed."[86]

We have only to examine the FY 1972-1975 Plan to see what general improvements have been made in planning in the Philippines. This Plan, compared with earlier ones, has itself undergone a lot of changes and improvements in the way of preparation, format, coverage and methodology; but for all its comprehensiveness and evident efforts at "specificity," the aggregative model is delimited primarily by the ceteris paribus assumptions inherent in all simplified models of an economy.

Projections for macrovariables in the FY 1972-1975 Plan utilizes a macroeconomic model[87] in considering the interrelationships among the aggregative variables and the constraints they impose on the choice of development strategies over the period FY 1972-1975. Past parameters are still utilized on the valid assumption that empirical knowledge of such relationships would be "essential in defining the range of feasible values of policy variables and the possibilities open to the planners relating to the target mix," given that trade-offs and complementarities among target objective variables exist to tie up the sectoral plans into a coherent whole.[88]

The model is appropriately a supply model rather than a demand model. Economic relationships were estimated using official national income accounts data for the period 1950-1969 from which regression equations have been estimated. In generating the projections, both imports and government current expenditure equations were not used. These, however, are the variables that the government desires to control and manipulate.

Two sets of variables are distinguished namely, the exogenous variables and the endogenous variables. Endogenous variables include the money supply, wage rate, import price, and exports. The treatment of import price as an exogenous variable is explained as warranted for the reason that the "smallness of Philippine importation relative to total world market transactions" could "be affected by changes in the exchange rate of the domestic currency relative to the dollar," and the "money value of exports in subject to changes in the foreign market prices of exported commodities as well as to domestic policies directed toward the development of export industries."[89] Endogenous variables include real GNP, employment, general price level, investment, capital stock, and imports. The objective or target variables designed to be influenced by economic policies are real GNP, employment, investment, annual price level, and trade balance.

The forecast of exogenous variables include the consideration of non-policy variables, i.e., assumed future changes in import and export prices. The values of other exogenous variables were obtained on the basis of (1) historical growth, (2) a priori expectations, and (3) target values of the objective variables.

Macro-projections are based both on calendar and fiscal year basis.[90] The data used in estimating equations are calendar year values in 1955 prices. Some coefficients have been adjusted to reconcile the projections to the recent

national income estimates derived on a semestral basis. The projections have been converted to fiscal year values in 1967 prices.

The model assumes no changes in the structural character of the economy; therefore, projections are basically made on the basis of historical trends. The model is thus static rather than dynamic or even innovative; changes in productivity in each sector or by factor shares are assumed away, not to mention the non-economic variables which can only be dealt with at best in qualitative terms.

Less aggregative sub-models are being grafted onto the above basic model. Variants have already been tried to elucidate the quantitative effects of the sets of related policy decisions. These are primarily done by economists. The use of the macro-model, however, does not entirely ignore the so-called non-economic considerations. It tries to approximate a social objective function on an aggregative level. For example, in maximizing income, it is subject to an upper constraint on prices taking into consideration the unemployment trade-offs are considered.[91] The BOI's Export Priorities Plan and Industrial Priorities Plan give corresponding weights to the relative importance of such factors as foreign exchange, labor intensity, and backward-foward linkages in determining which industries will be given incentives.

As stated earlier, the basic model relies primarily on the national income accounts of the Philippines, the inadequacies and limitations of which have long been a subject of discussion.[92] The national income accounts, specifically the manufacturing data, are believed to be conservative. There are also problems in connection with the proper inclusion or definition of conceptual terms, such as capital formation, and the choice of the base year.

How about the reliability of aggregative indicators, such as the unemployment or underemployment indices? For example, is the magnitude and gravity of the underemployment situation or unemployment real, or is it only a "crisis misperceived?" The CEPO Report of the National Economy (1970) reported a labor force of 13.5 million for 1968, the proportion of unemployment and underemployment being 8% and 23%, respectively, of the urban (70%) and rural (30%) labor force.[93] Underemployment in the FY 1972-1975 Plan indicated by the number of workers still seeking additional employment (visibly or invisibly) was reported at 21.7% (2.54 million) of labor supply, with 55.7% of these underemployed already working at least 40 hours or more per week.[94] Unemployment ranged from 3.3% to 10.2% of the labor force in the ten regions of the Philippines for FY 1969. Underemployment, on the other hand, ranged from 8.2% to 29.9% for the regions for the same year. Note that most of the unemployed (69.5%) have never held a job before and are under 25 years of age; over half, moreover, belong to the 10-19 age group.[95]

The observation that unemployment in the Philippines is not a "formless, general problem of all areas and all types of people [but] a very specific problem heavily concentrated in particular demographic groups," is well taken.[96]

In a study of labor absorption problems of economic development in the Philippines it was found necessary to submit the data to extensive revision, it having been found to be systematically biased.[97] Likewise, the unavailability of the data required for the computation of the contribution of education to labor quality, productivity, and the growth of national output or return on investment decried.[98]

The Central Bank indices are also considered biased downward because they are based on a fixed sample of cooperating firms concentrated in Manila. There is considerable evidence that the growth of manufacturing outside Manila has been substantial since 1960.[99]

How do development models measure the shift of the "center of gravity" of an economy from agriculture and craft activities to more "modern" activities?[100] In the Philippines the economic censuses are drawn from the universe of business establishments which count activities that take place in regular and visible establishments but omit informal and craft activities taking place in households. Thus, the economic census definitions correspond approximately to what is meant by "modern" activities. Population and labor surveys, on the other hand, are drawn from the universe of households and classify craft and modern workers in the same industries. In order to approximate the notion of "modern labor force" as used in an economic census, workers in "visible" industries are counted, as well as

wage and salary workers in industries with a large craft sector. As a consequence of this modification in data information; the findings reveal the opposite of what has been said about the slow growth of the modern labor force (MLF) since the 1960's. By the new measure, the "period of alleged stagnation" was transformed into a period which "looks like one of rapid transformation."[101]

With respect to fiscal operations of the government a complaint was also made that too much guesswork is still involved especially with respect to the related fields of commercial banking and development financing.[102]

The central coordinating agency of the government is the OSCAS.[103] The other major statistical agencies include the Bureau of Census and Statistics and the Bureau of Agricultural Economics. Major departments and bureaus have their own statistical agencies and divisions. It is noted, however, that there is no standard information format and therefore statistics prepared by some of the lower level agencies are often not of the type needed by the proper levels, as in the Department of Education.[104] The OSCAS provides data particularly for estimates of national income and product accounts for planning purposes. No uniform social data indicators have been evolved as yet by this agency.

It may be noted, however, that these deficiencies in statistical reporting have not escape the notice of proper authorities. Upon the assumption

of Gerardo P. Sicat as Chairman of the National Economic Council, a report was prepared presenting a detailed methodology clearing the way for an open scrutiny of the estimates and explicit assumptions used by experts in the national income staff of the NEC, as well as by others. The last overall revision of the national accounts of the Philippines, for calendar years 1946-1967, was in August, 1968; they have been kept current annually since then,[105] and even semestrally since 1970.

How about input-output tables necessary for projecting inter-industry requirements? Are the input-output tables being utilized for planning purposes merely "status symbols," as they are generally believed to be among less developed countries?

A recent study to compare the initial classification of two input-output tables in the Philippines seriously questioned their "operational use for planning."[106]

Aggregative economic models are thus greatly constrained in their usefulness by the quality of available statistics, and the explicit assumption behind them.[107] This judgment is also applied to the sectoral projections.

SOME CRITICAL FACTORS

We have examined briefly the nature and scope of development analysis and planning in the Philippines and indicated some of its main substantive defects and inadequacies. On the positive side, one must take note of the encouraging attempts to go beyond matters of control and efficiency. The constant efforts to criticize and improve both the techniques and methodology, as well as the substance, of planning are in abundant evidence in the formal and effective elements of the FY 1972-1975 Plan and its supplement, the Development Projects delineated for both the public and the private sectors. Still, much remains to be done.

The "triple crises" of development analysis and planning are still well illustrated by the specific examples we have shown vis-a-vis experience in the previous decade. The first mentioned crisis, however, that of the basic philosophy or goals of planning, does not seem to be a much debated issue now among policy-makers. There appears to be a consensus as to the ends of public policy and of planning; thus, the issue of social justice looms large as the principal concern in development efforts. Likewise, comprehensive planning as the strategy for economic development appears to enjoy wide if not universal acceptance. The primary means for attaining material welfare and social justice do not seem to invite controversy. Social development is

understood generally to connote the development of social sectors and social objectives of economic growth, such as redistribution of income, institutional changes, equalization of opportunities, development of backward areas, and equitable distribution of development benefits. These are not considered as processes separate from economic development.

The critical area or focus of disagreement, as expected, lies in the tertiary and secondary ends and means of economic policies; for instance, the choice of instruments and the problems that go with establishing linkages to decision-making units or the implementation of policies. There is also the difficulty of choosing the parameters necessary for determining alternative means to the achievement of primary ends and the determination of priorities which are often set on the basis of political considerations or national aspirations rather than by hard-headed economic calculus. But policy reactions to previous experiences are not lacking. The shift from controls in the '50's to gradual decontrols in the '60's and now the present move towards effecting controls again are evidences of efforts to correct past mistakes.

Policy ends and means do to some extent overlap; but for purposes of analysis confusion can be minimized, if not avoided, if one keeps himself strictly within the appropriate level of analysis. Accordingly, useful guides to action can be devised, directed at specific levels of decision-making. For example, the choice as to whether a venture should be undertaken by the public or the

private sector can only be determined at the top-most level. So are some choices with respect to substantive content; such matters as foreign policy, defense policy, and education policy. The translation of these policies into guides to action may be left to the domain of the implementing agencies.

How do we make government agencies compete effectively for funds, and how do we encourage them to exercise initiative on or for the initiation of policies conducive to providing the best of public goods and services they are accountable for? Failure of planning for the economy as a whole seems to have been equated with the apparent failure of government to utilize judiciously and efficiently its own resources diverted from the private sector. Weaknesses and criticisms thereof in general have been directed against the government sector, where in fact the private sector may probably be as much to blame.

While there is basic agreement as to the basic philosophy of planning, it is a different matter with program translation and priorities; these have tended to vary over the years; partly arising from the reconciliation of short-run versus long-run objectives. Thus, while the general social orientation has permeated the pattern of actual government spending, nevertheless some specific policies have initiated against the pronounced social objectives. That this is not deliberate is proved by the fact that, as stated earlier, social development expenditures in the budget have persistently edged out economic development expenditures. The trend will continue as projected

in the FY 1972-1975 Plans. This, however, raises the problem of government resource capability, which is not increasing at a rate higher than that of the rising aspirations to give full effect to social welfare measures. The distributional impact of government transactions not directly reflected in the budget has not been clearly established; but we have seen some indications that the criteria of "equity" and other ancillary considerations have oftentimes prevailed over the "efficiency" criterion as guideline to policy formulation and legislation. Perhaps one must not expect pure efficiency and be prepared to accept at best "mixed efficiency."

Program responsibility and implementation remain fragmented. One difficulty of integrating top policy-making and decision-making is traceable to the fact that there are multi-levels of decision-making and, in turn, of appropriate sub-goals and sub-programs; and as stated earlier, unless operational guidelines at lower levels are reflective of the true intentions or priorities of the general policy guidelines, inconsistencies are bound to occur between policy formulations and decision actions. Failure of the lower level agencies to initiate and institute operational policies for the effective attainment of the larger goals and objectives as decided at the top level results in a breakdown of the planning cycle.

Thus, a strong coordinative and substantive framework is required for the formulation as well as effective implementation of policies. The evaluative

phase in the cycle of activities in such a systems framework tends to be neglected. The reporting and accountability phases are, therefore very crucial. Aggregative planning has often assumed this away. Centralized administration, including centralized policy formulation and initiation, is necessarily constrained by the capability-- physical, financial, organizational or managerial-- of the lower tiers in the hierarchial levels of authority. Given available resources, priority determination becomes a maximizing problem, and a maximum rate of balanced growth needs to be guaranteed. This implies the necessity of "planning the planning" in order to come up with realistic plans which shall have taken into account existing resources.

Effective planning has quite substantial technical requirements. It connotes a horizontal and vertical integration of the real as well as the financial elements of the productive organization and also implies a thorough knowledge of input and output requirements of the different sectors involved. As we have seen, we have a long way to go as far as meeting the informational requirements is concerned. Add to this the fact that government has no immediate or adequate information about the private sector except through the ad hoc studies it prepares or the reports it requires of the private sector, which reports may or may not be reliable. In addition to the ad hoc hearings conducted when a specific problem arises, which often is made the basis for the formulation of general policy guidelines, a more systematic flow

of information and dialogue between the public and the private sectors still has to be evolved. While there is merit in the practice of conducting hearings, it really assumes too much in taking as given the homogeneity of certain sectors.

A Development Plan, such as that for FY 1972-1975, can only be a guideline detailing our aspirations, and no more; unless each sectoral program is realistically evaluated, its requirements are well understood, and the proper remedial legislation is enacted. And once enacted, such legislation should be followed through to successful implementation, in the process evaluated and modified in accordance with the changing requirements. In this manner, the Development Plan can be a useful coordinative document. Fortunately, the FY 1972-1975 rolled-over Development Plan may be regarded as the beginning of a serious approach to development planning. It is strengthened by President Marcos' concept of "dynamic programming," explained in his 1973 budget message.

Development analysis and planning in a unified framework connotes the delineation of policies and strategies that embrace both economic and non-economic factors, all causally interrelated in a "social system" approach to development.[108]

Rather than being restricted to a macro-economic model, which may be useful for an aggregative economic overview but not for an evaluation of the system's micro-units, an examination of sectoral programs and their

respective clienteles can be undertaken by experts from various disciplines. The exogenous variables-- specifically, international economic and political movements and regional imbalance on an orbi-economic planning level-- can not be ignored and taken as given.

"Better to have limited sectoral plans that are meaningful than to have ambitious, elaborate and beautiful total plans that have no meaning for the action sector."[109] It is difficult as it is to coordinate diversified and multifarious group of activities because of impact and time lags. Have we ever thought of the time and costs involved in formulating grandiose plans?

The Philippine experience indicates that efforts have been exerted to pursue a systematic attack on the economic factors, with the "residual" taken to result in the attainment of non-economic objectives. However, as we have seen, things have not stopped here. Policies and strategies have somehow been evolved to attack such residuals even though uneven and unbalanced at this point. This is not due to a deliberate oversight but arises from the inherent nature of the framework or reference utilized for the purpose of aggregative planning, i.e., planning over a time horizon primarily on the basis of a macro-economic framework which necessarily treats the non-economic factors as exogenous and principally projects relationships

of traditional economic variables but not ignoring entirely their social ramifications.

Thus policy-makers, while considering alternatives worked out from a purely economic model, have not entirely discounted the importance of so-called non-economic or exogenously treated variables. This is especially evident in an examination of the policy proposals for effective reforms of the National Economic Council and those of the Congressional Economic Planning Office. For example, in setting a base rate of the peso to the dollar and the ceilings on minimum wages, the CEPO utilizes the equity criterion as the over-riding consideration. As we have seen, the NEC in its "Agenda for Reforms, was equally concerned with considerations of equity.

Quite apart from the treatment of quantitative variables in the Plan is the conscious but still inadequate effort to take the relevant qualitative phenomena into account. Demand and supply variables which are the foci of economic projections are functions of propensities influenced directly or indirectly by political, sociological, psychological, and even cultural factors;e.g., the marginal propensity to invest, to save, to consume, and to produce. Much more have to be done to find the true nature of these propensities and the factors impinging on them on a more disaggregative basis.

The social problem of poverty, for example does not concern a homogeneous group. It is sectoral or particularistic and therefore an

appropriate focus of interdisciplinary study. But as attacked by the Department of Social Welfare, the broader aspects of the phenomenon of poverty are left out of consideration, pushed aside by the rather narrow concern for "social welfare."

The evidence thus shows a crisis in the structure of information and in the structure of authority, as was dealt with earlier.

Which policies should prevail and be pursued? This question is closely interlinked with the profile of leaders and policy-makers. Technocrats, by providing the insights and perspectives can help substantially. As was seen in the discussion of sectoral policy inadequacies, much remains to be done in the area of policy formulation and reformulation as well as implementation.

It was aptly stated that "economic" (more precisely micro-economic) theory is in a fundamental sense more nearly a theory of rational behavior than a theory of materials goods.[110] Thus, while there is a need to understand the functional relationship between the outputs, it is equally important to know decision-making, in particular the relationships between vertical and horizontal levels, since the former directs allocation of resources for the performance of certain productive activities and the latter sets out orders or rules which would affect the behavior of other decision-makers.[111]

Latin American experience suggests that it will be helpful for Philippine authorities to evaluate more realistically the available technical and administrative resources, to lay down priorities for each planning task, and to delineate assignments and responsibilities in order to prevent the dispersion of the efforts of specialized personnel. Even more than financial and technical capital, qualified people are needed to take charge of the necessary tasks. It is very common in the Philippines to utilize the services of technical people in any of the departments to assist part-time in ad hoc committees, councils, or commissions created to look into specific problems. Meanwhile, their work in their respective offices suffer. There does seem to be a dearth of program and area specialists. Thus, even more important than providing financial and technical capital is the need to create a professional elite capable of taking charge of the economic and social development of the country.

Is the tax system elastic enough to enable government to increase its command over real resources through taxation? Should the government continue to increase its share of investment by deficit financing? The inadequacy of the tax collection effort is a pressing problem. So is the granting of unwarrant tax holidays. Financial gaps in public investments has inevitably necessitated borrowings. Has the government created an effective device for transferring real resources from consumption to investment as a result of its "deficit financed" activities? The intended diversion of part

of the proceeds of the export tax to infrastructure projects was an effort along this line, but it is common knowledge that these went to the payment of huge government-guaranteed debts instead. It is doubtful whether funds intended for land reform will not be partly diverted to other purposes and whether the land reform program will, to begin with, really result in increased agricultural production. Is local finance correlated with national fiscal policy? We must take note of the common practice known as the "marble cake," in which a domestic program is jointly administered and financed by both levels of government. The experience points to the need to devise more meaningful criteria, other than area and population, for the distribution of allotments and aids to local governments.

The serious inflationary pressures has lead the manufacturing and merchandising sectors of the economy to hoard their output, perhaps in anticipation of further price increases.[112] Inventory accumulation is, of course, a form of saving, but hardly the type that would facilitate the nation's economic development program. Specifically, it has the bad effect of distorting supply and demand patterns. The formulation of the "rules of the game" for both the public and the private sectors must be dynamic or adaptable to make it correspond to short-run and long-run objectives of development. While we have consistently professed a desire for a balanced growth of industry and agriculture, the former seems to have been given most of the

breaks. A good example of the neglect of agriculture is that the government has now resorted to more imports of agricultural produce, specifically rice. The serious mid-1972 calamity affecting agricultural crops, it is hoped, may prove to be the sought-after catalyst which will redirect attention to the importance of developing the agricultural sector of the economy.

Inflation has created or increased tensions among the various groups of the society, as evidenced by the frequent demands for salary increases and for price controls. It can be speculated at this point that with the already low consumption standards any "forced savings" are perhaps offset by dis-investments in many forms.

Planning per se is said to be just one of the strategies of development; but it is perhaps the most crucial in the sense that it implies effective coordination. Philippine planning, as pointed out earlier, is constrained by the lack of a uniform conceptual framework. The data situation at the micro-level remains inadequate. The problem is not so much the lack of data as such, but data that is usable, reliable, up-to-date and dis-aggregative. There is also an insufficiency of social indicators of performance of both the public and private sectors, although some efforts to remedy this are being exerted. The CEPO, for instance, needs to initiate and coordinate economic and social researches and findings in order to be able to evolve specific recommendations and follow-ups.

It is necessary to have a complete grasp of the problems not only of production, consumption, and distribution but also an understanding of environmental constraints which fall within the purview of the other social sciences.

The formulation of a plan is of equal importance with its implementation, control, evaluation, and unit/agency management feedback. A macro-approach can be misleading though not entirely useless as a first approximation. As general guidelines to action it has its uses. Government itself influences as well as is influenced by the developmental process. In the final analysis, it is the micro-behavior of individuals, firms, groups, corporations, etc., that one has to contend with, understand, evaluate, direct, encourage, redirect, penalize, or serve.

There is no question that planning belongs to the normative realm of the "ought" and the "right" rather than to the descriptive realm of the "is." "A plan, whatever else it may be, is a normative order rather than a natural order. It is a system of propositions which specify merits that ought to be or have a right to be, as distinct from events that are."[113] One, therefore, cannot underestimate the importance of choosing the "appropriate" development policies in planning. Having decided on the right ends, devising effective implementation measures becomes crucial. Economic policy, embodied in a development plan, is, of course, "merely a part of the larger cosmos of general

policy within which any government administration operates."[114] At the moment, it appears that "legislative work with a social conscience"[115] is just what we need.

FOOTNOTES FOR PARTS IV AND V

1. For example, Administrative Order No. 2 (Series 1946) creating the Commission on Planning, Priorities and Allocation; A.O. No. 103 (Series 1946) creating a Committee for Integrated Socio-Economic Development Projects; Executive Order No. 8 (Series 1964) creating the Office of Economic Coordination to supervise the activities of some government-owned and controlled corporations; E.O. No. 17 (Series 1966) creating the Development Council which was unique in that it aimed "to study, discuss, establish and implement economic, social and political development priorities". The Presidential Economic Staff is another major planning body created by E.O. 8 (Series 1966). Still another planning body recently created is the Board of Investments which regulates and decides investment priorities (R.A. 5186, 1967).

2. See Section 2.2.2 of this paper.

3. "Principle and Ideologies in the New Constitution", Sunday Times Magazines, March 5, 1972, p. 16. Special Report on "The Socialist Formula", Manila Chronicle, May 9, 1972, p. 2.

4. Sponsorship Speech of Speaker Jose B. Laurel, Jr., of Joint Congressional Resolution No. 2, "establishing basic policies that shall govern the nation's endeavor toward economic development and social justice", delivered on the Floor of the House of Representatives on May 5, 1969. (Underscoring has been supplied)

5. Joint Resolution No. 2, Sixth Congress, Ninth Session, August 4, 1969. To attain these objectives the state would provide direction, coordination of economic activities through national planning, and maintain conditions that would create a favorable climate for investments. Among the major commitments are those relating to (1) austerity and self-reliance, such as avoidance of conspicuous consumption, a vigorous system of priorities to govern the disposition of the nation's foreign exchange, limiting the granting of subsidies to commodities essential to the life of the people; (2) the promotion of a middle class; (3) prevention of unwarranted monopolies; (4) the reconciliation of conflicts between the welfare of consumers,

entrepreneurial incentives, the earnings of labor, acceleration of agrarian reform, and full and continuing support of cooperatives; (5) fostering profit sharing between capital and labor in private enterprises; (6) determining the size of private agricultural land which persons may own and (7) assistance to destitute families; (8) fiscal, monetary, and credit base for development, emphasizing the need for rational resort to government deficits; (9) policy on population; (10) restructuring and financing the educational system; (11) agricultural and land development policy in harmony with the industrial sector; (12) resources conservation which proposes measures that are closely linked with those of agricultural development and land policy; (13) conservation of the cultural heritage; (14) commitment to economic independence, notably giving preference to foreign borrowing by both the private and public sectors to foreign investments, and increasing the participation of Filipinos in the economy (for example, placing all aspects of the distributive trade in the hands of Filipinos, as well as all new institutions performing financial functions, giving Filipinos priority in the granting of loans and credits); (15) finally, commitment to a foreign policy befitting a sovereign republic.

6. Joint Resolution No. 3, Seventh Congress, Third Special Session, November 3, 1970. This resolution seeks to promulgate policies that will guide the country in its efforts to bring about "the national environmental development" through the "establishment of a comprehensive system of environmental planning", the adoption and effectuation of a National Framework Plan translating into physical and special considerations the National Government's policies regarding such matters as population, distribution, land capability urbanization, housing, industrial, commercial, and agricultural development, manpower and employment, transportation, pollution control, and other factors necessary for the attainment of an effective environmental development of the entire economy ..." The resolution likewise enjoins: "The extension to local governments singly or jointly the responsibility for local planning that shall be within the context of the National Framework Plan..."

7. James McGovern, "Physical Planning in the Philippines: The need for Legislation," Philippine Law Journal, Vol. 43, No. 4 (Sept. 1968), pp. 571-84. Physical here is not equated to real re-

sources per se but to physical facilities such as buildings and public works.

8. Hereinafter referred to as "FY 1972-75 Plan".

9. See, for example, The Private Sector in Economic Development (Manila: Council for Economic Development, 1967), p. 9.

10. CEPO (Congressional Economic Planning Office), Report on the Economy, 1970, p. 92.

11. There were evidences of Filipinization as early as at the formulation of the Philippine Constitution in 1935. (See F. Golay, "Economic Nationalism: The Drive to Filipinize", Solidarity (Vol. VII, No. 2), February, 1972, pp. 2-20.

12. This plan was prepared by an Inter-Departmental Committee authorized by Memorandum Circular No. 322, Office of the President, February 26, 1970, headed by the Chairman of the National Economic Council, and approved on June 26, 1970.

13. The fiscal plans have tended to supersede the plans of the NEC as the blue-print for government expenditures for economic development. Beginning in FY 1958 and 1959, the Budget Commission's Plans were used as the basis for its budgetary functions and for congressional appropriations. The effective link between the plan, the fiscal plan, and the budget is through the Presidential Development Budget Committee (PDBC) composed of representatives from the fiscal units of government.

14. The following data were primarily taken from the Fiscal Plans for the years mentioned. See also Section C of Chapter 4, in Felisa D. Fernandez, The Budget Process and Economic Development in the Philippines (Ph.D. dissertation, University of Pittsburgh, 1971), pp. 229-288. (In press.)

15. The all-inclusive Fiscal Plan did not include, however, (a) transactions of government financial institutions, (b) operating incoming expenses of government corporations, and (c) loan to government corporations from commercial banks and of government

financial institutions; it still did not, therefore, reflect the totality of government fiscal operations.

16. Republic Act No. 922, otherwise known as "The Revised Budget Act", requires a balanced budget for the general fund of the government, meaning those current receipts of government not otherwise earmarked and therefore available for the funding of the current expenditures and operations.

17. To coincide with the four-year term of a President.

18. It is generally accepted that expenditures are the primary stimulants of public services, and while one recognizes that spending is not everything we assume a spending-service correspondence. For example, the social services that the government undertakes are described as "temporary", "pluralistic", and "for expediency" resulting from political pressure; and therefore the conditions require the adoption by the government of a welfare state program. Adolfo Borromeo, "The Welfare State and Economic Development", Economic Research Journal, Vol. 16, No. 2 (Sept. 1969), pp. 102-107.

19. Loans obtainable for private fixed capital formation from government financial institutions projected for the FY 1972-1975 plan period parallel budgetary developmental expenditures, with agriculture having low priority. Thus the loan ceilings are as follows: agriculture, ₱340 million; industry, ₱1308.8 million; real estate, ₱1609.4 million; and ₱54 million for SSS New Towns and for GSIS construction projects.

20. There are twelve major departments in the executive branch of the government, namely: Agriculture and Natural Resources, Education, Public Works and Communications, National Defense, Finance, Foreign Affairs, Labor, Health, Commerce and Industry, General Services, and Social Welfare. Other government units receiving separate appropriations are Congress, the Offices of the President and the Vice-President, National Science and Development Board, University of the Philippines, Court of Appeals, General Auditing Office, Supreme Court of the Philippines, Presidential Electoral Tribunal, and other independent

funds most of which are under the supervision of the President, such as the Contingent Fund, Foreign Exchange Fund, Calamity Fund, Foreign Assisted Project Fund, Consultant's Fund, Retirement Gratuity Fund, and Rural Improvement and Community Development Fund.

21. The functional expenditures of government are as follows: (1) Economic Development (Agriculture and Natural Resources, Transportation and Communication, Commerce and Industry, Other Economic Development); (2) Debt services; (3) Social Development Services (Education, Public Health, Labor and Welfare); (4) National Defense; and (5) General Government.

22. To a limited extent the government grants subsidies for the procurement of fertilizer and certified seeds for distribution to farmers in order to improve the production of rice and corn, to assist the gold and mining industry, for the stabilization of consumer goods prices. Transfers consist of aids and contributions for furthering economic and social service programs that are of direct interest to the government. These includes rewards and compensations for services in the forms of pensions, retirement pay, and gratuities. They also include rewards and indemnities given but by the government to those who suffered personal injury or destruction of property. Capital transfers consist of payments for the servicing of contributions to the sinking fund, for backpays, and payments for outstanding bonds, foreign loans and other governmental loans. These include investments by the national government and its corporate financial or non-financial institutions.

23. See Appendix 5.

24. These refer to local government expenditures coming from national government allotments and aids. It does not reflect the totality of local government expenditures which would include those financed from their own and outside sources. Local government receipts comprise about 20 percent also of total government (local and national) receipts.

25. Magsaysay was the President of the Philippines from 1953 to 1957, when he died in a plane crash.

26. See Table 6-2 of FY 1972-1975 Plan, p. 87. Rates of regional economic growth rate vary among different regions and localities in an estimate made of regional growth coefficients for 56 provinces and 34 chartered cities in the country. See G. Sicat, "Dimensions of Regional Growth, 1948-1966" in Economic Policy and Philippine Development, pp. 347-387.

27. Amante Paredes, "House Performance Analyzed", Manila Chronicle, March 20, 1972. The report uncovers undesirable and irregular office practices in the legislative and administrative machinery. An example is the Committee on Consultants and the Technical Division where of the 90 listed personnel only 50 are reporting and the rest are either on detail elsewhere or on long-term leave. The negative attitude towards Congress and its activities, revealed in the survey, was aggravated by the lack of information about its functions and responsibilities as the policy-making body and inadequate dissemination of its accomplishments. It is pertinent to mention here the omission of an evaluation of the activities so far undertaken by the Congressional Economic Planning Office (CEPO) which was created 2 years ago to serve as the research arm and policy-making aide for Congress. While it is probably too early to make an evaluation of impact on law-making, it is a fact that the CEPO has come out with some informative reports, bulletins, and some significant legislative proposals on both the economic and social spheres, the latest of which is the National Recovery Act of 1972 (Villareal Plan), now pending enactment.

28. Some 29 bills introduced in the Senate during the current session include eight proposals to create units or agencies or funds: A Department of Community Development (S. No. 119), Consumer Affairs Commission (S. No. 286), National Water Resources Development Commission (S. No. 698), Visayan Islands Development Authority (S. No. 703), Lanao Lake Development Authority (S. No. 717), Regional Center for Training and Research in Environmental Studies (S. No. 698), Philippine Textile Research Institute (S. No. 2204), a Small Scale Industries Administration (S. No. 580), and a National Saving and Housing Fund (S. No. 713).

Proposals for the nationalization of certain businesses include those of the business mass media (S. No. 70), the distribution of foreign motion pictures in the Philippines (S. No. 87), the Forest Industry (S. No. 177), and the Oil Industry (S. No. 710);

still another proposes to limit the right to engage in the lumber industry to the citizens of the Philippines (S. No. 299). See "The Economic Bills", Manila Chronicle, February 28, 1972, p. 6; and March 6, p. 8.

29. See, e.g., "Congress Lagging in Support of Development", Manila Chronicle, October 26, 1970, p. 3. Cf. Gil Puyat, "Congress and Economic Planning", in R.S. Milne (ed.), Planning for Progress, pp. 62-75.

30. Honesto Mendoza, "Constitutional Budgetary Reforms", A paper read at the Conference on Budgeting for National Objectives, College of Public Administration, University of the Philippines, Baguio City, April 19-21, 1972, p. 16. Cf. Jose Soberano, "Philippine Fiscal Planning: Quo Vadis?" Philippine Journal of Public Administration, Vol. 19, No. 1 (January, 1966), pp. ____.

31. Mendoza, loc. cit.

32. Among these other environmental (ecological and institutional) constraints are: inadequate transportation, economic shortage of land, inadequate and incompetent statistical services, lack of adequate national marketing organizations, uncertainty in the implementation of some laws such as the Retail Trade Act, uncertainty of relationships with the United States after 1974, inadequate information system from and between government agencies and from government agencies to business firms, inadequate and insufficient financial sources, inadequate executive, entrepreneurial and labor manpower (inspite of the high rate of unemployment and underemployment), up between politics and businesses (big businessmen are also big politicians), cultural heteregeneity, instability of monetary and fiscal policies, concentration of wealth, tenancy problems, the absence of a Maritime Commission, tendency to adopt foreign (instead of encouraging indigenous) technological innovation, uncertain tax laws, slow or inefficient implementation of regulatory legislation, inadequate financial market, multiplicity of and overlapping planning bodies, political patronage, predominance of closed (or family) patronage and value orientations (bahala na, hiya, utang na loob, pakikisama, etc.). (See Manuel Alba (compiler), Philippine Business Environment: A Compilation of Readings and Cases

(Quezon City: College of Business Administration, University of the Philippines, 1970). (Mimeographed)

33. Sixto K. Roxas, Organization for Economic Development, Manila; pp. 221-236. Cf. Antonio Ayala, "Some Comments on Planning at BOI", Philippine Economic Journal, Vol. IX, No. 1 (First Semester, 1970), pp. 50-57.

34. According to which the proper role of government is to provide an atmosphere conducive to business operations.

35. See, e.g., "Congress Lagging in Support of Development", Manila Chronicle, October 26, 1970, p. 3. Cf. Gil Puyat, "Congress and Economic Planning", pp. 62-75.

36. See, J. Williamson, Economic Growth in the Philippines: 1947-1965: The Role of Traditional Inputs, Education and Technical Change, IEDR, School of Economics, University of the Philippines, p. 69.

37. T.K. Ruprecht, "Labor Assumption Problems and Economic Development in the Philippines", Philippine Economic Journal, Vol. V, No. 2 (Second Semester, 1966). It is relevant to mention here that even the FY 1971-74 Development Plan decried then at the time of its preparation the lack of disaggregative data on employment.

38. Williamson, p. 7; Ruprecht, p. 23.

39. J. Powers, "Effects of Import Restriction on Industrial Growth" and Gerardo Sicat, "A Design for Export-Oriented Industrial Development", Discussion Paper No. 67-5, IEDR, June 20, 1967. Also Gerardo P. Sicat, Economic Policy and Philippine Development (Quezon City: University of the Philippines Press, 1972), pp. 39-60.

40. Powers, pp. 8-13.

41. Sicat, Economic Policy and Philippine Development, pp. 12-15.

42. Fabella, "Policies for Long-Term Growth in the Philip-

pines: The Public Sector", The Philippine Economic Journal, Vol. VIII, No. 1 (First Semester, 1969), p. 40. Cf. "Lopez Traces Economic Ills", Manila Chronicle, July 30, 1972, p. 10.

43. Fabella, op. cit., p. 46.

44. Specific examples are the Industrial Priorities Plan (IPP) which encourages forward integration in the copper industry, while our present tax laws do not. Copper ore and smelted copper are not taxed under the same section of the National Internal Revenue Code. Backward integration in car manufacturing is discouraged because the sales tax on finished cars is high and is applied on a value added basis, while advance sales tax plus customs duties on CKD cars are relatively much lower, thus encouraging the mere assembly of CKDs. Tariff statutes must be changed to reflect the change in policy objectives to shift the type of goods to be protected, e.g., from paper to pulp; tax discriminations must be made in the wood industry for the reason that tax is imposed on log export but there is a 7% sales tax on locally-produced logs even if they are to be processed into plywood for exports. (See A. Ayala, "Planning at BOI", pp. 50-57) Jose Romero, Chairman of the Congressional Economic Planning Office (CEPO), has said that the adoption of the floating exchange rate in 1970, was among those measures which slackened the pace of investment by the private business sector.

Another glaring case of unclear policy is Section 37 of the Land Reform Code, which provides that the Industrial Peace Act applies to the workers in the Agrarian Sector. (See Ramon Jimenez, "Labor and National Development", Appendix "A", in Constitutional Revision Project (Quezon City: Law Center, University of the Philippines, 1969), pp. 13-14. (Mimeographed)

45. Denton Averch and J. G. Koehler, A Crisis of Ambiguity: Political and Economic Development in the Philippines (Santa Monica, California: The Rand Corporation, 1970), p. 258. (Hereinafter referred to as the Rand Report.) The use of annual data to test this relationship is admittedly arbitrary, however.

46. "Past Policies to Blame for RP Mess", Philippines Herald, April 29, 1972, p. 6. Specifically, he calls the past policies "reverse essentiality syndrome" which provided no real incentives for the domestic production of essential commodities.

47. See especially CEPO Report on the National Economy, 1971 (Mimeographed); Isidro Macaspac, "An Appraisal of Economic Planning in the Philippines: Theory and Practice in the Last Ten Years", The Philippine Economy Bulletin, Vol. 1, No. 5 (1963), pp. 5-15, G.P. Sicat, Economic Policy and Philippine Development, Fabella, "Policies for Long Term Growth", and FY 1972-75 Plan.

48. The term "social welfare" or strategies to evolve a frontal attack on poverty per se is perhaps delimited by the overriding focus of the Department of Social Welfare on indigent groups and the traditional concept of doleouts despite expressed intentions to have a more integrative program for social development. The same can be said of the Department of Labor. See Sec. 2.2.4 supra. (See Appendix 7)

49, See Appendix 1, which indicates the significance of controls to the pattern of economic growth and changes in the structure of the economy.

50. Leading an outstanding economist to say "when we adopted industrialization as a part to the blessed life, we all went crazy with it. Now we have more industrial plants and equipment than we know how to do with". Hur further added, "when we embraced the religion of free enterprise and the competitive economy we were more fanatical than Adam Smith ever was". Roxas "Portrait", p. 65.

51. The growth rate of GNP was approximately 6.5% in 1970, compared with 7.9% during the earlier part of the control period, 4.9% in the latter part, and 5.7% for the decontrol period 1962-1968. (See Appendix 1)

52. H. No. 5307, entitled "National Recovery Act of 1972" (Draft of the Villareal Plan), now known also as "National Economic Development Act of 1972".

53. Taxes account for only about 11% of GNP compared to Malaysia's 19.9% and Japan's 19%. It has been established that the tax system is elastic (percentage increase in GNP is estimated to result in a 1.06% in revenues); however, such flexibility is limited by the extent of budget controllability and excessive tax exemptions. (See Appendix 11 and 12)

54. It is estimated by the Joint Legislative Executive Tax Commission in a study conducted in 1965 that only about one-half of all taxes due the government was actually collected. The picture has not improved substantially since then; it is possible that government resource can be doubled by mere intensification of tax collection.

55. Before 1968 there was no major tax law enacted by Congress for a 20-year period. Tax legislation for the most part was in the nature of tax witholdings, tax incentives, and tax exemptions. No tax law was enacted in 1971.

56. Deficit spending has continued despite an annual plea for a balanced budget. This is not bad per se if such is consistent with monetary stability and accompanied by complementary measures. The 1972-75 Plan projects a growth rate of government consumption much lower than its growth rate of investment. It must be noted that shifting expenditure to investments implies an accompanying increase in maintenance expenditures or consumption expenditures. Consumption and investment activities are complementary activities and not substitutive.

57. R. A. 6142, however, was enacted prescribing safeguards in the application or utilization of loans from abroad.

58. E. G., R. A. 245 governing domestic borrowings which allow the President to borrow through the issuance of treasury notes, treasury bills, or certificate of indebtedness in unlimited amounts to finance projects of his choice.

59. It was estimated in 1966 that the private sector accounted for a mere 4.13% of holdings of government securities, increasing in 1970 to only 9.4% only effected at the price of higher rates for government securities (treasury bills) and DBP Progress Bonds.

60. The clustering of maturities of public obligations in a certain year (e.g., for October 1971 was as follows: 18.18% (₱1.2 million), short term; 42.09%, middle-term; and 39.5%, long-term. CB had it restructured; however, a bigger chunk was not touched.

Of the gross public debt and guaranteed obligation of ₱7,122 million as of June 30, 1970, ₱5,699 was domestic and ₱1,423 external.

Of the domestic public debt ₱1,785 were in the form of treasury bills. A good and notes and ₱319 million in CB loans. ₱1,754 consisted of guaranteed obligations. Note that the external debt is still estimated on the basis of ₱3.90:$1; about half of this (₱554 million) are guaranteed obligations. Note also that external debts drastically increased from ₱3,263 million as of 1969 to ₱6,674 million in 1970. (See Tables II and III, CEPO Report, 1971, pp. 32-34.)

61. The establishment of a better system of accountability with regards to loan proceeds is one of the accounting problems that the National Accounting Service seeks to solve. (Interview with Mrs. Lina Orendain, a systems analyst of the National Accounting Service, Budget Commission)

62. Includes the propensity of Congress to pass appropriation laws subject to availability of funds, the President's power to transfer funds from one Department to another to the extent of 25% of an agency's budget, proliferation of special funds, lump-sum appropriations not amenable to budget control, and budget riders. All of which defeat the use of the budget as a tool for resource allocation. (See papers for the Symposium on Budgeting for National Objectives, College of Public Administration, University of the Philippines, April 18-21, 1972.) (Mimeographed)

63. The UNDP Assistance is a rolling five-year program of assistance amounting to $20 million, requiring an estimated Philippine counterpart support of ₱150.69 million peso for FY 1972-76.

64. An example are laws that result in double standards. See Emilio Morabe, "Double-Standard Laws--Scrap 'em", Manila Times, August 1, 1972, pp. 5 and 9. He argues for a fund for research, and states that "Congress spends a gargantuan sum for the allowance of its members but does not seem to allocate sufficient appropriation for technical research for the purpose of developing a coordinated, rationalized and simplified system of laws."

65. Why "sustained" when material prosperity is yet to be attained?

66. This statement of end-goal tends to support the idea that

basically social development is a function of economic development, without discounting the possibility that both can be advanced through appropriate government policies.

67. A Wage Commission recently organized gives clear recognition of the policy of industry-wide range fixing through collective bargaining before a government board.

68. The Usury Law enacted in 1916 provides interest ceilings for two types of credit, secured loans and unsecured loans. It covers direct lending only and there are no distinctions made among various collaterals and maturities. Thus more risky and longer-terms credit which would normally have higher interest rates is being discreminated against.

Interests are hidden in the form of price differentials between sale made on credit and sale made on cash. For direct lending in the organized market, the Law is being circumvented in the form of service charges or by deducting the interest for the year at the time of the release of the loan rather than at maturity, redepositing the loan proceeds in the same bank, etc.

69. FY 1972-1975 Plan, pp. 33-34.

70. Tariff policy features a very complicated and protection-heavy structure. As of November 1970, tariff rates reveal the existence of 16 rate intervals applied to over 1,600 commodities classified under some 21 import categories. (FY 1972-1975 Plan, pp. 34-35)

71. H. No. 5307, originally entitled "National Recovery Act of 1972" (Villareal Plan), now renamed by its proponents "National Economic Development Act of 1972".

72. FY 1972-1975 Plan, pp. 35-36.

73. Ibid.

74. Ibid., pp. 36-37. H. No. 5307 and its proposal for the establishment of an International Trade and Development Commission

may thus overlap some functions of existing agencies or bodies involved in strengthening international trade and credit.

75. Ibid., p. 37. The caution is a little out of line since external balance here is generally regarded as a target rather than just an indicator.

76. Ibid., p. 38.

77. Ibid.

78. Ibid. It should be noted, however, that only about 50% of what can be collected under present assessment rates go to government coffers. If we add this to the fact that real properties are terribly under assessed one can see that intensification of tax collection efforts alone, as well as more realistic assessment valuations and methods, would probably solve the problem of allegedly meager government resources.

79. Ibid., p. 39.

80. Ibid., p. 40.

81. The particular form of financial assistance is not specified.

82. Ibid., p. 40. As noted earlier, the bulk of lendings of government financial institutions in the FY 72-75 Plan are for real estage and housing.

83. Ibid., pp. 40-41.

84. It is relevant to note that the share of government ranged from 3.5 percent in 1946 to a high of 28.9 percent in 1951, averaging not less than 20 percent of gross domestic investment from 1949-1960; but significantly declining from 1961 to a low of 8.6 percent in 1964. National government expenditures strictly for direct capital formation has averaged only 6.3% of fixed capital formation from 1961-1968, emphasizing the relatively small magnitude of fixed capital formation directly financed from the national budget.

85. ECAFE, Review of Long-Term Economic Projections for Selected Countries in Southeast Asia, Series No. 5, Development Programming Techniques (Bangkok, 1964), p. 57.

86. Ibid.

87. See Appendix 14, "Macroeconomic Model of the Philippines". It shows the structural equations, identities, endogenous and exogenous variables based on the recent work of Dr. Jose Encarnacion and Associates at the School of Economics of the University of the Philippines which was supported by a research grant from the National Economic Council.

88. FY 1972-1975 Plan, p. 45. See particularly Chapter 3, passim.

89. The rationale behind the treatment of import price as an endogenous variable is that it may be determined solely by policy; this is "particularly true in the case of foreign exchange-constrained economies" and "also true in cases where some imports are planned from loans obtained from development banks and other bilateral sources at the instance of the development authorities". Ibid.

90. Government transactions are recorded on a fiscal year basis (i.e., July 1-June 30) while the national income and product accounts are recorded on a calendar year basis, hence the need for a reconciliation.

91. Jose Encarnacion, et. al., "An Econometric Model of the Philippines with Projections Through 1976", Part of the project of NEC and School of Economics, University of the Philippines, April, 1972. (Mimeographed)

92. See, e.g., Emmanuel Levy, "The Usefulness of Existing National Accounts for the Analysis of the Philippine Economy", The Philippine Economic Journal, Vol. 5, No. 1 (1966), pp. 134-145. See also William C. Abraham, The National Income of the Philippines and Its Distribution (New York: U.N. Technical Assistance Program, 1962). Existing National Income accounts were used as benchmarks [illegible]n which succeeding Central Bank estimates were extrapolated. Res-

ponsibility for national income estimates was transferred eventually to the NEC. Ruben F. Trinidad, An Inquiry into the Sources and Methods of National Income Accounting in the Philippines, unpublished M.A. thesis, Quezon City, 1968, and his "Some Proposed Improvements in the Estimation of Capital Formation in the Philippines", Statistical Reporter, Vol. 4 (April 1960), pp. 28-40. For the revised national income accounts see "The National Income of the Philippines for CY 1946 to 1968 and "The National Accounts of the Philippines CY 1966 to 1968 and CY 1946 to 1967", Statistical Reporter, Vol. XIII, No. 2 (April-June, 1969), pp. 1-10 and 42-71, respectively. See, finally, Rand Report, Appendix D, pp. 263-286.

93. FY 1972-1975 Plan, p. 11.

94. Table 15.1, FY 1972-1975 Plan.

95. Ibid., Tables 15.2, 15.4, 15.8.

96. Rand Report, pp. 123, 126, 130-131. However, the report argues that it "may still be a political problem if the unemployed are alienated and strongly dissatisfied with the system. The report finds indications that the unemployed do not appear to be alienated and dissatisfied. Interestingly the unemployed are found to respond more favorably toward the government and politicians than do the employed. If unemployment does not appear to underline any political crisis, it blames the apparent failure of the underemployed to articulate their demands for special programs, the fact that the unemployed are concentrated among the non-voting group. It suggests further that the government is unlikely to do anything about them except perhaps "to continue to repeat the old pattern of expanding road-building around election time..."

97. J. K. Ruprecht, pp. 8-9. This study refers to the Bureau of Census and Statistics Survey of Households.

98. J. Williamson, p. 38.

99. Malcolm Treadgold and Richard Hooley, "The Decontrol and the Reduction of Income Flows, A Second Look", Philippine Economic Journal, Vol. VI, No. 2 (1967), p. 115. The National Accounts Price Series lies below the C B Data.

100. Rand Report, pp. 140-141.

101. Ibid.

102. Fabella, "Long-term Growth".

103. Office of Statistical Coordination and Standards, NEC, Executive Order No. 119, as amended. Its duties and responsibilities are outlined in Reorganization Plan No. 10.

104. Interview with Dr. Felix Santos, Chief, Planning Office, Department of Education.

105. OSCAS, NEC, Sources and Methods of Estimation for the Accounts of the Philippines and Supporting Tables, June 1971. Special Order No. 95-70, July 22, 1970.

106. Gerardo P. Sicat, "Structural Characteristics and Projection Performance of Input-Output Tables: A Comparison for the Philippines", Statistical Reporter, Vol. XV, No. 1 (January-March, 1971), p. 1.

In 1961 two separate statistical agencies of the government (Bureau of Census and Statistics and the National Economic Council) undertook the preparation of input-output tables for the same year under "exclusive and independent auspices". A debate subsequently ensued between the competing statistical agencies on the merits of both tables. See also Rand Report, Appendix D. The two tables were identical, except for minor classification problems of sectors within agriculture, in food manufacturing, and in the services. Thus, 24 sectors were identical (including 18 2-digit ISIC manufacturing industries, mining, and three sectors of the services). Dr. Sicat compared four sets of final demand sectors in the two input-output systems and made adjustments for the difference in the dimensions of the two input-output tables; his findings show stark contrasts in the structural implications of both tables irrespective of the final demand sector used. The range of the values of the ratios XNi/XBi (where SNi is the NEC Table and XBi is the BCS Table) for all different specifications of final demand is quite wide, from 4.89 for basic metal to 0.78 for construction. Only about 8 sectors may be classified as nearly structurally equal using the weak criterion

(0.80≥ XNI/XBi ≥1.25) and only three or four sectors satisfy the strong criterion (0.9 ≥ XNi/XBi ≥ 1.10). The wide range of differences in the estimates for the manufacturing sectors are found to be particularly "disturbing" and as seeming to describe "two different economies, or one economy, at different time periods". (pp. 2-3). The conclusions, he continues, "are sufficient to deter us from proceeding further to the realm of projections". If the structures of the two input-output matrices are so different even for more current estimates of production requirements, how much more when used in projections of future requirements? Thus, assuming the simplest input-output model (static, Leontief-type), he proceeds to make some arbitrary assumptions; two projections of the final demand, used as the basis for computing new total production and total primary requirements in 10 to 20-year projections based on the NEC Table, were uniformly higher than those from the BCS Table. Differences were explained by some flaws in methodology in pricing and treatment of imports and unallocated outputs and inputs, but do not to suffice to explain the fundamental differences between the two.

107. See, Erich W. Streissler, Pitfalls in Econometric Forecasting (Tonbridge Printers Ltd., 1970), Research Monograph 23, 80p.

108. e.g., Gunnar Myrdal sets out conditions which he classifies into six broad categories, namely: 1) output and incomes, conditions of production and levels of living (economic factors), 2) attitudes toward life and work and institutions (noneconomic factors) and 3) policies, as a mixture of (1) and (2), op. cit., Vol. III, pp. 1859-1878.

109. Sixto K. Roxas, "Discovering Economics Imperatives for National Growth", Philippine Studies, Vol. 15, No. 2 (April 1967), pp. 222-223.

110. Mancur Olson, Jr., "The Relationships Between Economics and the Other Social Sciences; the Promise of a Social Report", in Seymour Martin Lipset (ed.), Politics and the Social Sciences, p. 142.

111. See "Multi-level Planning and Decision-Making: A Back-

ground Paper", New York, 1970. E/ELE/750. See also Peacock and Wiseman, pp. 15-16.

112. E.g.,"Milk Hoarding," See Manila Chronicle, March 10, 1972.

113. Firey, Walter, Law and Economy in Planning (Austin: University of Texas Press, 1965), p. 4.

114. Robert Bangs, Financing Economic Development: Fiscal Policy for Emerging Countries (Chicago: The University of Chicago Press, 1968), p. 57.

115. CEPO, "Congressional Economic Bulletin", Vol. 2, No. 1 (July 1971), p. 4.

Part VI

THE CASE OF HOUSING

History

Scope of Housing Policy and Plans

Planning and Policy

Participation

Implementation

Some Critical Factors

THE CASE OF HOUSING

As an area which has embraced the economic, social, and other dimensions of development, the housing sector highlights generally significant patterns, factors, and problems in policy and planning. The scope and rationale of policy and planning for this sector have widened with the magnitude and complexity of the housing problem. This has been made possible by certain transcending forces from the "private sector". However, the issues of normative relationships between economic and social elements[1] and constraints have persisted in magnified form, along with structural conflicts, institutional fragmentation, and methodological deficiencies.

Housing conditions in the Philippines, as in other countries, have deteriorated due to the rapid growth of population and the influx of migrants to metropolitan Manila and other cities. In 1964, it was estimated that about 470,000 dwellings (including 100,000 urban units) were needed annually to reduce the 1960 backlog of 1.3 million unacceptable and over-crowded units, and to meet the need for the next 20 years for 8.1 million more for new households and dwellings likely to be lost.[2] The postwar increase in squatters and slum-dwellers-- placed at 66,000 families in metropolitan Manila in 1963[3]-- and the mass poverty that they depict, have lent urgency to housing as a manifold problem of development.

The limited capacity for housing production of the country, however, has required a drawn-out process of change in the government's position and policy, and in the views and circumstances surrounding the role of housing sector in development.

History

Prewar housing policy began as a limited, ad hoc program with a strong public and social rationale. It developed initially with the health, safety, and other public hazards posed by the old slums of Manila, which motivated limited projects of slum clearance and relocation. In the 1920's, the labor movement accentuated the social and political implications of housing, so that "barrios obreros" began to replace "sanitary barrios" and housing initially became a labor measure of the national government. In 1938, the Commonwealth government completed its first tenement project, began its first suburban subdivision and housing project, and in 1941 enacted the first national housing legislation as a demonstration of its Constitutional commitment to "social justice".[4]

Thus began the provision by government of "social housing". This phrase embraces three- to five-storey tenements let at subsidized rents and provision of relocation lots for slum-dwellers and squatters as well as low-income workers. With its first suburban project,

however, the government also started to develop and sell subdivisions and to build and manage "economic housing". Economic housing units were rented to government and private employees and officials at cost plus "profit"; most of these units have been sold to their tenants as required by law. The public housing program, which is administered by the People's Homesite & Housing Corporation (PHHC), has been augmented by the below-market housing loans programs of the Government Service Insurance System (GSIS), Social Security System (SSS, for private employees), and the Development Bank of the Philippines (DBP). A mortgage insurance program, administered by the Home Finance Commission, has also been instituted to further liberalize loan terms. In 1968, the GSIS, SSS, DBP, and other financial institution formed a consortium called the National Housing Corporation (NHC) to manufacture building components.

The NHC marked a stage in attempts to accelerate housing production and reshape housing policy. There had been several postwar attempts in this direction, including those made by American and UN advisers. But the Philippine government, while maintaining housing programs as a limited "social service" for certain groups, viewed real estate investments as inflationary in a developing

economy, given to luxury consumption, and otherwise a drain on resources for productive enterprises.[5] Since the early 1060's, however, this view began to shift toward a more affirmative conception of the role for housing in economic as well as social development. Government economists and segments of the private sector itself saw in increased housing production opportunities for generating and strengthening links among industries, savings, and investments, expanding employment and income, establishing real estate as a legitimate business, and generally satisfying a pent-up consumer demand.

Scope of Housing Policy and Plans

Consequently, housing policy has undergone a transformation and a better position in the predominantly economic medium-term plans. Efforts to recast policy culminated in a reformulation made by a Presidential Coordinating Committee on Housing and Urban Development (PreCCHUD) in 1969, which has been incorporated in recent versions of the national four-year Development Plan. Several legislative measures for reforms have been presented to Congress. Among these, one that deserves particular attention is the proposed Housing and Urban Development Act developed with a long-term housing program proposal by Bancom Development Corporation, an

investment bank headed by an influential businessman and former NEC Chairman.[6] This bill is comprehensive, radical and controversial in certain respects, and has reached an advanced stage of consideration. While some await final action, these various proposals show the changes in the scope and rationale of housing policy and plans, and their remaining deficiencies and debatable directions.

The 1941 housing legislation had aimed at "providing decent housing" for those in the cities and populous towns who were unable to afford them, eliminating slums and replacing slum housing, and providing institutional housing for destitutes and paupers. The PHHC-- the result of a merger-- also incorporated features of a prewar corporation charter that enabled it tc undertake subdivision and economic housing projects. However, after examining policy declarations of the 1941 and subsequent legislation, the PreCCHUD concluded that they were mis-oriented and limited and that a "broad policy" was needed to replace them. Together with specific policies on resource-allocation, beneficiaries and private sector participation, urban land, etc., the PreCCHUD proposed the following general declaration:

> It is hereby delcared that the promotion of the general welfare of the people, including their physical, social and economic betterment, requires the sound development of the nation's communities in which the people live and work, and the provision for assistance

> to Filipino families commensurate to their need and national capacity to enable them to have adequate shelter and improved environment. For this purpose, the government shall promote, finance and establish a supply of dwellings to such an extent and at such a rent or price that those in need of housing may have reasonable opportunity of living in a dwelling suitable to their economic and social situation, so far as the national capacity will permit.[7]

The Bancom bill aims even more broadly at "ultimately providing Filipino family with a decent home and a safe and sanitary living environment," and would remedy the housing shortage, eliminate substandard and inadequate housing, provide liberal credit and other housing aids, and encourage the development of new urban communities, urban renewal, and squatter resettlement.[8] Yet the bill agrees with the PreCCHUD on essential points.

The PreCCHUD had viewed previous declarations as "predominantly vote-getting statements . . . dangerously bordering on a government unequivocal promise to provide housing to the poor, without considering the capacity of the country." Considering this aspect, and stressing "the general welfare" as suggested by American housing policy and the Philippine Constitution (in lieu of "social justice"), it would therefore suit the provision of housing to the ability to pay or economic demand of those in "need"-- to their "just requirements", as the Bancom bill says.[9] In line with general policy, and another specific policy that housing investments could

only be gradually increased, the following priority was to be observed:

> . . . the government shall, first, promote and finance housing for those who can afford to pay for it at reasonable prices over a long period of repayment, and second, subsidize with public funds the establishment for those who need total or partial subsidy. Government shall encourag , with appropriate incentives, the private sector to finance a housing program for those who have the capital to pay for it.[10]

With certain modifications and more concrete details, the PreCCHUD policies were embodied in an unpublished five-year Economic Development Program (1970-74) and in the subsequent four-year Development Plan (1971-74). These documents did not state the social priorities for housing as explicitly but reflected them in their program targets. The same implication may be drawn from the current Development Plan (1972-75), from which the policy statements[11] have been removed but which retains "vote-getting" rhetoric in its introductory chapters.[12]

Nonetheless, these plans have raised the status of housing, unlike previous plans which omitted this sector, lumped it with others, or at best focused on PHHC proposals and national targets. The recent plans have devoted full chapters to housing and have embraced the policies, targets, and financial estimates of the GSIS, SSS, and DBP as well. Together with Bancom's program proposals, they generally reflect the desire to increase housing production

substantially-- from about 2 of the 10-12 units required per 1,000 population to 3, 4, and so on-- and housing investment from less than 2% to 5-6% of the GNP. At these rates, the 1970-74 program set its overall five-year target to over one million units, loosely and ambiguously including the private sector. Actually, only 143,000 of the total would be built or financed by the government, while another 174,690 "may be met by the private sector". The subsequent plans extended only to private housing financed through GSIS, SSS and DBP loans, but the 1972-75 Plan has raised targets considerably over those of 1971-74 (from a total of 36,726 to 117,540 families to be served) while firming up commitments through possible direct project development by the GSIS and SSS and preference for group as against individual loans at a 70:30% ratio.[13]

The five-year Program was overly optimistic about financing, particularly in expecting more funds from taxes than loans for government-supported housing. Congressional outlays to augment the PHHC's long dwindling capital had been few and far between, forcing it to rely on bonds and GSIS and other government loans. Although 79% of dwelling construction was privately financed, private lenders for their part were reluctant to invest in housing. The GSIS, SSS, and DBP financed about 18-20%, making out a total of ₱560 million in housing loans in 1962-66.[14] Greater commitments

Table 1
HOUSING TARGETS IN THREE PLANS PERIODS
FY 1970-74, FY 1971-74, & FY 1972-75

Number of Units or Families Served[1]

	1970	1971	1972	1973	1974	1975	Total
Social Housing[2]							
FY 1970-74	1,740	2,550	3,090	3,855	4,650	- - -	15,885
1971-74	- - -	5,080	3,877	2,000	2,000	- - -	12,957
1972-75	- - -	- - -	3,216	4,284	6,534	8,390	22,424
Economic Housing[2]							
FY 1970-74	13,920	20,400	24,720	30,840	37,206	- - -	127,086
1971-74	- - -	2,991	4,366	3,701	3,497	- - -	14,555
1972-75	- - -	- - -	3,385	6,181	10,110	13,400	33,076
Private Housing[3]							
FY 1970-74	19,140	28,000	34,000	42,400	51,150	- - -	174,690
1971-74	- - -	2,143	2,250	2,357	2,464	- - -	9,214
1972-75	- - -	- - -	13,180	14,870	16,360	17,730	62,040
Total - All types of Housing							
FY 1970-74	34,800	50,950	61,810	77,095	93,006	- - -	317,661
1971-74	- - -	10,214	10,493	8,058	7,961	- - -	36,726
1972-75	- - -	- - -	19,781	25,335	33,004	39,420	117,540

SOURCES: For FY 1970-74, PHHC, "Excerpt from NEC 4/six/-Year Economic Development Program 1970-74." (Typescript, 1969): FY 1971-74, National Economic Council, Four-Year Development Plan FY 1971-74, adopted by the NEC on June 26, 1970, Manila, Table IV-8-5, pp. 204-205; and FY 1972-75, NEC, Four-Year Development Plan FY 1972-75, adopted by the NEC on July 23, 1971, Ch. 17, Table 17.1, pp. 222.

1 In the FY 1970-74, Program the targets are classified into "government subsidized," "government financed," and "private financed" dwelling units. In the subsequent Plans, "social" and "economic" housing targets are classified generally under "government-owned housing" as against "private-owned housing." However, the latter category comprises private units with financing from GSIS, SSS, and DBP, and using NHC components.

2 The 5-year Program states these targets as all dwelling units (a total of 317,661 for the plan period). In the four-year Plans, on the other hand, most of the social housing targets indicated are resettlement (i.e. lot) units - all 12,957 in the 1972-75 Plan (the remainder, 2,136, are tenement units; funds needed for the Tondo tenement project, however, are also indicated in the 1971-74 Plan). Moreover, the 1971-74 Plan's targets for economic housing include 5,882 lot units (under "urban estate distribution 'PHHC'") as well as PHHC, GSIS, and SSS dwelling units. The 1972-75 Plan economic housing targets are all dwelling units.

3 In both 4-year Plans, private dwellings units are to be privately built with loans from the GSIS, SSS, and DBP. However, in the case of the 1972-75 Plan, the GSIS and SSS may build such private dwellings directly in the absence of private project developers. In the 1971-74 Plan, the text indicates that GSIS, SSS, and DBP loans may be extended to both individual and project builders, but the table indicates "individual builders" (DBP) only.

Table 2

HOUSING TARGETS IN TWO PLAN PERIODS
FY 1972-75 & FY 1971-74

	FY 1972-75						FY 1971-74					
	Families Served				Total Families Served	Total Funds* Needed	1971	1972	1973	1974	Total Families Served	Total Funds* Needed
	1972	1973	1974	1975								
Social Housing	3,216	42.84	6,534	8,390	22,424	₱ 48.70						₱ 43.2
PHHC Resettlement	3,038	3,750	6,000	7,500	20,288	15.10	5,080	3,877	2,000	2,000	12,957	7.3
PHHC Tondo Tenements	178	534	534	890	2,136	33,60	- - -	- - -	- - -	- - -	- - -	35.9
Economic Housing	3,385	6,181	10,110	13,400	33,076	552.76	2,991	4,366	3,701	3,497	14,555	138.9
PHHC Projects	367	- - -	- - -	- - -	367	5.30	569	906	1,151	1,134	3,760	44.1
PHHC/NHC "	- - -	2,000	4,000	6,000	12,000	162.00	- - -	- - -	- - -	- - -	- - -	-
PHHC/GSIS "	1,218	2,067	4,000	5,000	12,285	161.93	- - -	- - -	- - -	- - -	- - -	-
GSIS/NwSA "	500	614	- - -	- - -	1,114	22.28	- - -	- - -	- - -	- - -	- - -	-
GSIS Projects	900	1,100	1,710	2,000	5,710	165.25	60	1,180	1,180	893	3,313	48.1
SSS Projects	400	400	400	400	1,600	36.00	- - -	500	500	600	1,600	34.0
PHHC Urban Estate Distribution	- - - - - - - - - 1971-74 - - - - - - - - - - -						2,362	1,780	870	870	5,882	12.7
Private Housing	13,180	14,870	16,360	17,630	62,040	1370.24						
GSIS-financed	4,130	4,370	4,410	4,230	17,140	600.54	- - -	- - -	- - -	- - -	- - -	-
SSS-financed	7,050	8,300	9,550	10,800	35,700	714.00	- - -	- - -	- - -	- - -	- - -	-
DBP-financed	2,000	2,200	2,400	2,600	9,200	55.70	2,143	2,250	2,357	2,464	9,214	47.8

SOURCES: For FY 1972-75, NEC, Four-Year Development Plan FY 1972-75, adopted by the NEC on July 23, 1971, Ch. 17, Table 17.1, pp. 222; FY 1971-74, National Economic Council, Four-Year Development Plan FY 1971-74, adopted by the NEC on June 26, 1970, Manila, Table IV-8-5, pp. 204-205.

* In Millions of Pesos.

have been expected from such loans, and much less from taxes. But the 1972-75 plan presents an estimate of tax funds totalling ₱306 million from new sources suggested by Bancom, including an employers' 5% payroll tax to generate ₱160 million of the ₱167.3 million expected during the first year after legislative enactment. Moreover, Bancom has proposed institutional reforms, incentives, and requirements to channel more private funds into housing, including a more effective secondary mortgage market.[15]

Unlike the PreCCHUD, these proposals recognize-- as the opening line of the housing chapter in the 1971-74 Plan states-- that "The need for decent housing is greatest from the social standpoint among the lowest income families." Similarly, in an introductory chapter, the 1972-75 Plan stresses "the redistributive effect of a massive low-cost housing program". However, they hasten to argue that geographically, the need is greatest in urban areas, which the PreCCHUD said are the logically context of housing. Moreover, although they would exclude the top 10-12% of income groups from government assistance, their moving ceilings (₱12,000 to ₱15,000 yearly family incomes and ₱30,000 unit value), overlapping and shifting income boundaries, and actual program targets accord with the "judicious balance" prescribed by PreCCHUD.

Thus, only 5% of the five-year Program's dwellings would be government-subsidized, while in the subsequent Plans, the bulk of "social housing" would be resettlement lots, more economic than social dwelling units would be developed, and most dwellings would fall under the category of private housing financed by government loans. As the PHHC has noted, 20% of the beneficiaries under the current Plan would be served by "social housing", and this would be financed by 2.5% of total investments, while loans would serve 53% of the beneficiaries with 70% of the investments.[16] Similarly, Bancom's long-term program proposal would have the government build some social housing, but with economic housing production soon overtaking it. Furthermore, in its legislative proposal, it proposes special mortgage insurance aids that are not free from "red-lining" tendencies, and otherwise settles for "dispersal" or resettlement where economic reasons dictate this alternative.[17]

Planning and Policy

The recent proposals may be said to be substantively distorted, merely reaffirming the social priorities actually followed since the first suburban "social experiment" admitted "the rich and those of moderate means".[18] The recent plans also seem formally deficient. They embrace the housing sector more fully and securely but do not

state its interrelations with other sectors. However, this aspect is readily understandable from their context and elsewhere-- in the Bancom proposals especially.

The space and identity given to housing are a major achievement in itself, considering the gaps that had existed between central, sectoral, and agency planning, policy formation, and program administration. The housing sector had had a wax-and-wane career in previous national plans, and usually accorded lowest priority. This was due partly to the weak representation of social or "social development" planners in the NEC and other central planning agencies, and partly to the basic judgments this imbalance represented about development and planning needs.[19]

In the case of housing, attempts to advance agency plans and to raise the process to a sectoral level were not lacking. While operationally preoccupied with projects, the PHHC had often been concerned with basic policy issues and took charge of presenting proposals to the NEC. In 1962, a Presidential Committee headed by the PHHC general manager submitted a five-year (1962-67) "bold housing program for the masses" calling on public and private lenders to invest more funds in housing. In 1963, another Presidential Committee recommended a 10-year national housing program; this time, the members, who represented government lending institutions, called

for budgetary outlays. Subsequently, an Office of Presidential Assistant on Housing with a Resettlement Agency as a unit (now called PAHRA) was created, and a joint technical staff advising the PAHRA and a UN consultant prepared specific proposals calling for more comprehensive institutional and financial reforms, including the creation of a Department of Housing and a Home Loan Bank.[20]

These proposals were to take longer "incubating". Each stage merely suggested the basic faults existing. The housing section included by an NEC Chairman sympathetic to social development was all but dropped from the final version of the 1967-70 Four-Year Economic Program. In his 1967 annual message, however, the President called attention to the need for a policy on housing and urban development and to give priority to developing financial resources for housing.[21]

In 1968, as a result of suggestions from the private sector, the PreCCHUD was created, composed of the heads or senior officers of 16 government agencies and two units of the University of the Philippines. It was given the "sole power"[22] and responsibility of coordinating the implementation of programs and projects in housing and urban development, but it also concerned itself with preparing "a long-range national housing policy" and coordinating resettlement projects.[23] The PreCCHUD did not last. In March, 1970,

it was replaced by the Presidential Coordinating Committee on Housing and Urban Resettlement, which reduced the membership to ten, retained only five of the original members, and removed the financial institutions.[24]

The short life of the PreCCHUD suggests the difficulties in effectively coordinating planning at the sectoral level. Insofar as the national plans were concerned, the PHHC continued to take the main responsibility. It called on the GSIS, SSS, and other housing agencies to supply information on their respective policies, financial estimates, and program and project targets, but assumed the tasks of compiling them with its own and preparing statements on national housing needs and problems, past performance and current efforts of the government. Instead of the PreCCHUD, a smaller committee composed of the PHHC general manager and assistant manager and the deputy administrator of the SSS represented the sector in the interdepartmental committees called by the NEC to review and revise the "rolling" Plan.[25]

The PreCCHUD proved "unwieldy" and was unable to hold the interest of the financial institutions. Coordination between them and the other housing agencies had long been a problem. The Committee could take up only one financial issue. Interestingly enough, this was a recommendation of the Home Financing Commission to

the President to compel the lending institutions to participate more actively in its mortgage insurance program which they argued had unrealistically low interest requirements.[26] As of 1969, the government's approach to housing program remained "fragmented", and "each of the government's financing institutions was pursuing its own limited program".[27]

On the other hand, the PreCCHUD served formally to crystallize the institutional and policy reforms needed, including that of reorganizing some 17 agencies "at the macro-level . . . (to provide) the proper inter-relationships among and unification or coordination . . . ." (Actually, perhaps reflecting the structure of the PreCCHUD itself, the Department of Housing that it proposed would confederate rather than "unify" existing agencies.) With an able professional staff, the Committee encouraged efforts to improve the information and technical basis of planning at project, program, and policy levels. At least at the subcommittee level, where the financial institutions as well as the PHHC and NEC were represented, it carried out a "policy planning" which produced a set of mutually acceptable policy declarations.

Participation

The PreCCHUD's success in crystallizing housing policy may be attributed to the ingredient of agency participation as well as cooperation in central as well as sectoral planning. A related development was the active participation of the private sector which led to the formulation of the Bancom program and legislative proposals. The absence of organized private participation had been a source of gaps which had persisted between public planning, policy-making, and private decision-making in general. During the mid-1960's, however, these gaps began to be bridged by the so-called technocrats in both the public and private spheres.

The technocrats believe in planning and policy-making that is truly comprehensive yet operational and strongly linked to implementation; effective yet only "indicative" for private decisions. They stress "democratic" participation in planning and liberal incentives in implementation, yet would use state compulsion to achieve the growth, integration, linkages, and scope needed to bring economic development over what they saw as the impasse in the last decade. A leading member of this group was Sixto Roxas, an NEC Chairman who resigned in 1964 to set up and head Bancom, and later to help organize financial, business, and industrial leaders so that their views on public issues could be better

presented.[28]

In the housing sector, private participation was nothing new, since the mediation of private enterprise had been encouraged even in so social an undertaking as the prewar barrios obreros, and the government itself had been truly in the business of real estate. But to organized business of the mid-1960's, such activities, whether done separately or together, were too piecemeal, small-scale, and low-level for the needs and opportunities of the times. Housing production, for most people, was primitive, the housing market was distorted and served only small segments, and the real estate business labored under the stigma of speculation. In his writings on economic development, Sixto Roxas thus often cited housing as one of the sectors that needed "modernization". This involves the whole range of processes from long-term planning and policy formation to the actual operation of projects.[29]

Concrete steps were taken toward this goal in 1967, when President Marcos sounded a call for a new policy and directed the GSIS and SSS to increase their housing investments. This was favorably received by private business as a recognition of housing as the "mother of industries" rather than as a setback for industrialization. But they were critical of the lack of interagency coordination and the lending institutions' plans to build in

"inaccessible areas"-- at a time when the Administration was embarking on massive infrastructure projects in the Manila area and elsewhere. In a meeting with employers, labor, and financial leaders and agency heads, the SSS decided on a three-point program lowering its housing ceiling (from ₱60,000 to ₱15,000 per borrower) to broaden its clientele. Afterwards, it held conferences with landowners, land developers, architects, contractors and construction materials suppliers, and-- convinced of the feasibility reducing costs through mass-production-- the SSS entered into an agreement with a consortium representing these groups-- the Land and Housing Development Corporation (LHDC), formed in 1968 with Bancom as an incorporator-- to build a 500-unit suburban project for SSS members.[30]

In his recommendations upon resigning from the NEC in 1964, Sixto Roxas had proposed the creation of a system of ten joint public-private councils, including a Joint Housing and Community Facilities Policy and Planning Council, as a measure to widen the planning network and provide more effective private participation.[31] Sometime in the late 1960's, a similar National Housing Council was created, including as members the managing heads of the GSIS, SSS, HFC, DBP, and PHHC, on one hand, and from the private sector, the presidents of the following organizations:

Philippine Association of Real Estate Boards, the Philippine Contractors' Association, Philippine Bankers' Association, Philippine Insurance and Surety Association, and Philippine Management Association.[32]

As a result of a meeting of the Council in early 1968 in the Presidential palace, the government's Executive Secretary created a Special Committee composed of the general manager of the PHHC (then also concurrently Presidential Assistant on Housing) and six other members including two from the private affiliates of the Council. This Committee conducted a survey of squatters and slum-dwellers in metropolitan Manila which in effect confirmed fears that they had rapidly increased (from 66,000 to 184,000 families in 1968).[33]

The Special Committee provided the nucleus of the all-government PreCCHUD and made recommendations very similar to those of PreCCHUD which were embodied in the NEC plans. Among these were recommendations for suiting housing programs to three categories of income groups identified by the Committee, for "encouraging the private sector to enter the housing field," and for institutional reforms including the creation of a Housing and Urban Development Department.[34] In its policy proposal on program beneficiaries, the PreCCHUD itself inserted the private sector as an intermediary requiring "incentives . . . to finance a housing program for those who have the capital to pay for it." The NEC

plans translated this policy into specific schemes such as joint ventures, the SSS-LHDC consortium arrangement, and requirements for company housing among industries borrowing government loans. Although, like the PreCCHUD, the National Housing Council apparently did not last, it prepared and supported a legislative measure to create a housing department.[35]

It was in this climate of public-private collaboration that Bancom developed and advanced its long-term program proposal, and its comprehensive bill. The program provided an intra-sectoral analysis offering housing cost-reduction, mortgage credit liberalization, and a residual social housing program-- plus hopes of an upward shift in family incomes-- as basic strategies to solve the housing program in ten years. It also recommended supporting tax and bond measures, investment incentives and "guidelines" to direct private funds, and a National Housing Bank to administer the program.[36]

The bill embodied essentially similar approaches, including the fiscal and financial measures, but was much more elaborate and inclusive, and differed on other important points. It was justified in more intersectoral terms-- i.e. the ₱900 million that it would generate in direct investments, its indirect investment and consumption impact, the strengthening of related industries, the

"further maturing and development of our financial markets," the increase in GNP, decrease in unemployment, and strengthening of weak economic links, etc. The bill would also encourage joint public-private ventures each producing a minimum of 500 dwelling units and, envisioning the government as thus a "catalyst and expediter" rather than builder, did not propose a social housing program component. Finally, it would create a National Housing Authority with four constituent corporations with interrelated but independent functions, three of which concerned mortgage insurance, banking, and other transactions oriented to the creation of a secondary mortgage market.[37]

The Bancom bill was filed in 1970 and 1971 sessions and has received serious consideration in Congress and other circles. It was supported by the Council of Economic Development, a group of private enterprise leaders formed in 1965 with Sixto Roxas as a member. In line with its function of offering "assistance to government . . . in economic planning, policy formulation, and development promotions," the CED presented a position paper reiterating the arguments behind the bill.[38]

Perhaps the broadest-ranging housing proposal ever presented to Congress, the Bancom bill was bound to experience public controversy, change, and major revisions or even substitutions.

Regarding its reorganization proposals, several other bills have been prepared with different ideas of appropriate "mixes" of functions. Its tax and financial provisions have been a major source of resistance from different sectors. The life insurance industry, for example, as represented by its association (PALAC) felt singled out by its proposed 5% employers' payroll tax and its requirement for private home-loans and life insurance companies to invest at least 40% of their total assets in housing. The PALAC and CED had to work out more acceptable provisions, including changes in organizational structure as well as substantive policies.[39] Similarly, the PHHC has expressed misgivings about the slighting of social housing, differences on the private sector on the use of the tax funds, and the "complexity . . . thickness" and tax provisions of the bill, and the inseparability that its proponents insisted upon despite its initial failure of passage due to the tax measures. It has recommended a revision allocating 60% to economic housing and only 30% to social housing, and 10% for administrative purposes, as against the 80:20% that it said Bancom provided for, and hinted at the wisdom of separating the tax from the reorganization proposals. But the PHHC otherwise feels that the Bancom bill offers much-needed new sources of funds.[40]

Such comprises and basic consensus could be reached or at least hoped for among public and private policy-makers partly due to the benefits offered by the bill. At the same time, its proponents would be willing to use incentives to enforce its policy objectives, which amount essentially to making housing a modern profitable "commodity" by overcoming-- as the 1968 Special Committee said on a related aspect-- "the too strong . . . adherence to the spirit of free enterprise.[41] Thus, it would impose the 40% allocation requirement on financial institutions to create a secondary mortgage market. Similarly, it would move dwelling construction from "individual job order" to mass-production technology. This could lead to large-scale organization among construction workers.[42] Moreover, mass-production implies mass-consumption, the organization of demand to assure sufficient scale for suppliers.

By being structurally and functionally better integrated, certain segments of workers and housing consumers could thus also "participate". The rest, however, have had a peripheral role or at best can only react. Early in 1972, for example, President Marcos announced a proposal to deduct 5% from employees' monthly pay instead of from the employers' payroll-based 5% tax (or of the 1-2% "refundable assessment" that Bancom did also propose). This was withdrawn in the face of so much vocal opposition from workers

groups, but despite grumblings in the press that Sixto Roxas would simply embellish the pay deduction proposal "with attractive interest earnings," the President asked the GSIS, SSS, and other agencies to study the Bancom bill.[43] For the urban poor, leaders have not been lacking, but rather than active subjects, they have been movable objects in a resettlement approach that seems to be toughening with the participation of military and business elements in the program (this despite the instruction to PreCCHUD's successor to stress "the social rather than the economic aspect" of housing and resettlement).[44] The squatters and slum-dwellers who have held out in the central city have apparently become convinced that traditional politics has given them only stays of eviction. The government would rather relocate squatters than rehouse them, or rehouse them in tenements and retain squatted central city land so that it could dispose of it later on as it sees fit.[45]

Reflecting the fundamental conflicts that have made accommodation efforts futile, a federation of neighborhood associations in Tondo in Manila called ZOTO has set up their own land titling office to redeem an old legislative promise to grant tenure to certain squatted lands in Manila. Moreover, its members have engaged in radical reform methods challenging the very peaks of power in the country-- invading a piece of land claimed by one of the biggest

companies, making five-centavo deposits en-masse in a savings bank owned by the Catholic hierarchy, and demonstrating at the current Constitutional Convention.[46] Ironically, ZOTO's hopes may be dashed by government encouragement for exporting cement, which has set moves on the part of this glut-ridden but high-priced industry to build an export center in the foreshoreland where ZOTO operates.[47]

Implementation

During the first half of the last decade (1961-65), government-built dwellings totalled only 3,334 units, or 667 per year and one new unit for every 50,000 population. During the next period up to 1969, no money was appropriated except ₱15 million for tenement housing. During 1964-71, PHHC and the GSIS had completed a combined total of only 2,522 economic housing units, most or 2,150 of them in four GSIS projects. On the other hand, the GSIS, SSS and DBP had increased their loans from ₱560 million in 1962-66 (27,075 borrowers) to ₱1 billion (60,399 borrowers) in 1966-71. Housing investment in relation to the GNP was also increasing, from about 1.0% to 2.6% in 1968 or higher (depending on which estimates are used). However, housing production in relation to population, estimated at about 2 units per 1,000 in the early 1960's, has hardly

improved, if at all. The ratio was recently placed between 3-5:1,000, and somewhat at 2-3:1,000. Building construction generally, and new residential construction especially, had declined after a peak in 1967 due to credit, currency, and other developments, while the urban land market experienced a slump in prices and sales which left the real estate business with many unsold properties.

It seems premature to evaluate performance against the latest plans and the Bancom bill. However, significant trends from the recent past may be derived. It appears that the housing agencies are proceeding in the essential directions indicated or suggested by these proposals.

The different housing agencies seem to be accelerating their respective activities. Apparently, as of last year they were overshooting their modest first-year targets under the 1971-74 Plan, but carry-overs of previous starts and completions with new starts-- which cannot be separated out with the data available-- must be allowed for. Nonetheless, larger-scale agency programs are afoot.

As of September last year, the PHHC had 13,500 units in five "ongoing projects"-- nearly equal to the total dwellings built or administered by it since the prewar laborers' tenement project. Eight other projects were "on the pipeline" or "proposed", with a total of 29,141 units. One of the projects lined up is a 20,000-

24,000-unit economic housing "new town" just northeast of Manila, only 10,000 units of which were scheduled under the 1972-75 Plan. Not included in these figures is another, larger project area farther northeast; this will be a resettlement project.

The SSS-LHDC projects started in 1968 had completed 1,000 units by May, 1971, and were launching 500 units more. SSS has also been preparing plans to directly develop a "new town" of its own with a total capacity of 21,000, although only 1,500 appeared in the current Plan. The GSIS had more large projects. Late last year, it was reported that it had approved 16 projects totalling 35,755 units; available data show fewer projects and units, and those scheduled under the Plan were even less. Nonetheless, these seem quite a spurt in activity initiated. Under the Plan, seven of them would be direct projects but only three were reported in December.

This escalation of activity has been due to agency policies following the thrust of proposals discussed earlier. Last year, the GSIS adopted policies of undertaking projects directly, preferring group to individual housing loans, and providing interim project loans for developers building for its policyholders. This system attracted a number of big project applications from both developers and employees groups, including the Confederation of Government Employees Organizations, public school teachers, and the labor union of the

national waterworks agency. The SSS, which started with a similar approach with its LHDC projects, claimed to have produced 2,306 units on this system as of November, 1971.[48]

However, a key requirement that may be a source of lower completion rates is that private developers joining the system, as well as PHHC and SSS projects, should make use of National Housing Corporation components. The setting up of the NHC factories, with an estimated productive capacity of 12,000 dwelling units a year, had been delayed, and marked by public criticism, labor strikes, etc. It seems unlikely to operate at full capacity in the near future due partly to low patronage and partly to technical problems.*

While the different housing agencies are apparently using an essential common approach and have concrete links like the NHC, difficulties with coordination also persist. The PHHC, especially,

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*The manager of the GSIS, who is now concurrently president of the NHC, has recently given the NHC ₱65 million worth of business by discounting promissory notes of private developers using NHC components. This would assure better patronage for the NHC, but it would probably not solve technical problems being experienced with its porous plants which help keep its production at 20-30% of capacity. Also, NHC components account only for 12-15% of dwelling cost.[49]

had an accumulation of grievances on this aspect. Its general manager told a reporter last year that its applications for funding were regarded by the GSIS and SSS with hostility "because they have planned to put up their own housing projects;" despite this, they provided two private projects with funds amounting to ₱140 million.[50]

There have been more serious criticisms which suggest that GSIS and SSS leverage has been more limited than it otherwise could be and that their financial programs have been mis-directed. One is that group loans have discriminated against individual preferences for residential standards and environments-- which of course the policy intends. Similarly, a private developer has complained that the government lenders would force developers and consumers into the limited (five-model) mould of the NHC by requiring use of its components. Perhaps the most radical charge is that these institutions are mis-using their funds by turning them into market commodities. They have held up real estate loan releases to invest their funds in the money market, thus forcing borrowers to turn to the same market for usurious loans. Moreover, the GSIS has considered taking over a losing ₱40-million hotel in which it had invested despite the fact that it had just reaffirmed a provision of the 1972-75 Plan to reserve its investments for housing.[51]

Thus, they have resisted-- as another technocrat had described GSIS and SSS funds-- "grinding up a tenderloin steak to make hamburger . . . ."[52]

If the scale of dwelling production is nonetheless likely to be substantially improved through the new policies, there remains the question of which groups have been benefitted. Most of the government-supported subdivision and housing projects have been concentrated in urban areas, particularly the Manila suburbs. About 85% of the 13,315 dwellings ever built or administered by the PHHC are in Manila and Quezon City. Moreover, barely 15% of the total are social housing.[53] Similarly, the GSIS and SSS have been building and lending mostly in the Manila area. The combined strategy of easier credit and reduced costs has not reached much lower in the family income scale, if at all. Reduced dwelling costs are likely to have been achieved at some sacrifice of residential standards and present risks of over-standardization. In the SSS-LHDC projects, for example, the expected physical life of the typical unit(₱10,440 for the house alone) was the same (25 years) as that expected for the "Sanitary Model House" developed in Manila in 1917 by government authorities. Moreover, instead of the minimum monthly income aimed at ₱425, the projects were serving mostly the ₱650 to ₱800 brackets.[54] Of about 700 units of different projects supported by the SSS during 1969-71, 87% were priced at over ₱15,000 and 42%

at over ₱30,000 (to as high as ₱73,000), and 66% of the borrowers had incomes over ₱500, including more than 10% earning over ₱1,000 a month.[55] In most of the 16 GSIS projects announced last year, the minimum prices of dwelling units (with lots) averaged ₱22,940 and the maximum prices averaged slightly over ₱30,000.[56]

Some Critical Factors

Data restrictions limit the precision but probably not the general accuracy of this evaluation. Such restrictions must be appreciated as reflecting basic methodological shortcomings in planning, policy-making, and administration which are shared by research. To give a general example, census and intercensal information are difficult to use for a more accurate, current, and intertemporal analysis of housing needs and processes because standards and statistics have not been made more adequate and precise, or brought and used together.* Housing agencies which can generate vital information such as their clients' family incomes do not keep them current, organized, or retrievable and continuously

*A national sample survey of housing in 1967 used a different unit of measure (households) from that of the 1960 census (dwellings); at the same time, that survey provided data on structural conditions which are not found in the 1960 or 1970 census. (Complete results of the 1970 census were not available for this report.)

used in their processes-- or are simply reluctant to share them. Examples could be extended to a wider field, including the non-formulation or non-utilization of spatial strategies and policies for coordinating projects at sub-national levels.

Methodological problems, however, have not been entirely neglected, as indicated by a seminar on housing standards in 1963 and subsequent activities or proposals involving housing statistics, research, and physical planning at different levels. The critical problems seem to lie in the processes, institutions, and forces which call forth and inform the expertise available and shape the outcomes of its application. What is critical is the substance implicated in form.

Thus, housing plans and policies have become more comprehensive in scope and rationale, recasting housing less as a limited social service and more as a constrained but instrumental sector of economic development. A significant degree of coherence, which is integrative in its social impact as well as reflective of a working consensus, has also been evident in policies proposed or already in being. All this has been made possible by efforts to bridge institutional interfaces, which have been exerted and sustained notably by a more active "private sector" operating over a whole range of planning, policy-making, and development roles.

However, from a societal perspective not quite a unified approach has been attained, and the degree of integration and scale attained seems only to magnify fundamental issues and contradictions. More meaningful "societal" policy objectives have not been enunciated-- such as when poor people may reasonably expect to get over a society-- wide welfare minimum, such as might be achieved by a "growth" plus "replacement" strategy of dwelling construction directed mainly at those below the floor. This would imply a higher level of conception, but the role of housing has been conceived at lower level, where the traditional categories persist. Here housing represents the "instrumental valuation" of formerly independent-value social sectors in what remains a predominantly economic conception of development.

Within the sector, of course, the priorities in the social incidence of program benefits have been put in no uncertain terms. A "judicious balance" between social and economic housing favoring the latter and the segments that it serves, i.e. the middle classes, including the intermediaries is to be observed. This represents a general social strategy; scarcity supposedly dictates preference for the productive and stabilizing middle classes. As it has been said, when a social service limited to lower-classes is extended to the upper-classes, as the housing program has been

almost from the beginning, it inevitably loses any valid claim to egalitarian objectives.[57] But Filipino planners and policy-makers have been philosophically inclined more to aggregative than distributive ends or principles.

Nonetheless, to put such social preference-ordering as starkly as the PreCCHUD did must have seemed politically hazardous, so that the recent plans and policy pronouncements have left much room for ambiguity and inconsistency. The old "social justice" appeals recur in such slogans as "workers housing". The PHHC retains a soft spot for social housing, and thus maintains an ideological difference from the GSIS and SSS-- the SSS recognizes housing benefits as only a privilege rather than a right of its members. To ends its dependence for funds on lenders, the PHHC-- while pointing out Bancom's oversight of social housing in its bill-- looks to its proposals for a better institutional arrangement:

> All these historical developments point towards one direction-- that a governmental set-up that will insure unified decisions not only in implementation but also in financing is the ultimate goal.[58]

But the proposed National Housing Authority may hardly extricate the PHHC from the institutional matrix which has embodied the philosophical or ideological contradictions in housing. Its corporate form has dictated that the PHHC show "profit" or at least keep solvent and otherwise be business-like while providing a

"social service". With its limited capital forcing it to rely on borrowings and to recoup its capital and pay off its debts, it has understandably produced more "low-cost" than "low-income" housing. The NHA, by its grand corporate design, may have even more "tenderloin" investment propensities than the GSIS and SSS have shown.

There have been forces and agency policies that may be regarded not only as unifying and representative of consensus but also integrative in terms of processes and structures. But the bonds and roles they form may remain too limited with respect to the rest of society. The planning and policy-making processes may be said to have permitted participation from more elite groups, and to have integrated more middle-calss housing consumers through mass-production approaches. But these processes have been more "massive" than "mass"-oriented enterprises. Hence, there remain many mass groups who are neither integrated nor participant in the new processes and structures in the housing sector. In the final analysis, the escalation of housing production and consumption, given these conditions, may simply amplify class cleavages in the society.

Footnotes

[1]Please see the concluding section for references to theoretical material.

[2]Jacobo S. de Vera, "The Philippine Housing Need," The Philippine Economy Bulletin, Vol. III, No. 2 (1964), Table 1, p. 19.

[3]U.N.-PHHC Research Team, Seminar on Minimum Standards of Accommodation (1963), Appendices I & II, and Table IV.

[4]See Commonwealth Act No. 648 (June 16, 1941). Historical references in this study was based on an unpublished manuscript, "Historical Notes on Housing for the Poor," (Jan.-Mar. 1971), prepared by Romeo B. Ocampo, a member of the study team.

[5]For example: "... in underdeveloped countries like the Philippines where supply artsing from domestic production cannot be raised easily to fill the demand that will certainly increase with growth in spending (because productive capacity is low and export proceeds are inadequate) an unduly high proportion of social overhead projects is inflationary. On this principle it is economically prudent to limit public works and unproductive projects. It is for the same reason that real estate investment or housing projects should be regulated." (National Economic Council, Three-Year Program of Economic and Social Development, adopted by the NEC on January 2, 1959, Manila, p. 19. (FY 1959-60 to FY 1961-62).

[6]See proposed "Housing and Urban Development Act of 1971," H. No. 2626, House of Representatives, Seventh Congress, Second Session (1971).

[7]Sub-Committee on Programming, Memorandum on "The Proposed Broad Policy on Housing" to the Technical Committee, PreCCHUD, dated January 15, 1969 (mimeo.).

[8]Secs. 2 & 50-55, H. No. 2626.

[9]Ibid., Sec. 2.

[10]Sub-Committee on Programming, Memorandum on "Proposed Housing on Specific Matters," January 15, 1969 (mimeo.).

[11]However, these policies have been re-stated in a recent report of the People's Homesite and Housing Corporation (PHHC), "The Housing Problem and the Government Effort in the Philippines," October 29, 1971 (mimeo.), pp. 11-12.

[12]National Economic Council (NEC), Four-Year Development Plan FY 1972-75, adopted by the NEC on July 23, 1971, pp. 20 & 40. The previous version of this "rolling" Plan is NEC, Four-Year Development Plan FY 1971-74, adopted by the NEC on June 26, 1970.

[13]NEC, Plan FY 1972-75, p. 220. Information from the Five-Year Program was derived from PHHC, "Excerpt from NEC 4 (sic)-Year Economic Development Program 1970-74," c. 1969 (typewritten).

[14]PHHC, "The Philippine Housing Situation," 1967 (mimeo.), p. 5, and Special Committee of the National Housing Council, "Squatting and Slum-Dwelling in Metropolitan Manila," (Manila, 1968), reproduced in Aprodicio A. Laquian, Slums Are for People (1969 ed.), Appendix B, pp. 231-2.

[15]See "Explanatory Note," H. No. 2626, pp. 11. See also Bancom Development Corporation, "A National Housing Program for the Seventies," Draft (1969?) (mimeo.).

[16]PHHC, "The Housing Problem and the Government Effort," pp. 16-17.

[17]Bancom, "A National Housing Program," Exhibit 7, p. 19, and Sec. 46, H.No. 2626. Bancom's targets are summarized below together with NEC targets. The totals for NEC's Plans for 1971-74 and 1972-75 include lot units without dwellings.

Summary of NEC and Bancom Housing Targets*
(In 000 dwelling units)

Year	NEC FY 1970-74 Bancom				NEC FY 1971-74**			NEC Fy 1972-72**		
	Total	Urban Gov't.	Total	Eco.	Total	Eco. Housing Gov't.	Pvt.	Total	Economic Hsg. Gov't	Pvt.
1970	116	34.8	13	2						
1971	170	51	22	19	10.2	3.0	2.1			
1972	206	61.8	30	17	10.5	4.4	2.3	19.8	3.4	13.2
1973	257	77.1	41	26	8.1	3.7	2.4	25.3	6.2	14.9
1974	310	93	52	36	8.0	3.5	2.5	33.0	10.1	16.4
1975	____	____	66	47	____	____	____	39.4	13.4	17.6
	1,055	317.7	224	147	36.7	14.6	9.2	117.5	33.1	62.0

*For breakdown and sources of the NEC targets, see Table____. The source for Bancom is Bancom Development Corporation, "A National Housing Program for the Seventies," Draft 1969 (mimeo), Exhibit 7, p. 19.

**Rounded.

[18]This refers to President Manuel L. Quezon's statements regarding the first project in what was to become the official capital of the Philippines, Quezon City. ("Portions of the President's Speech Regarding Labor" (Jan. 22, 1940) Labor Bulletin, Vol. 3, No. 1-2 (Jan.-Feb. 1940), p. 3.

[19]See Leonora S. de Guzman, "Social Welfare Planning in the Philippines (A Case Study)," prepared for United Nations ECAFE (no date; mimeo.), p. 17. See also, UN, The Planning and Financing of Social Development in the ECAFE Region, ECAFE Social Development Series No. 1 (no date), p. 12.

[20]See Esmeraldo Eco, "Report on Bold Housing Program for the Masses," to President Diosdado Macapagal, Feb. 22, 1962, PHHC, Annual Report 1961-62, Appendix A, pp. 32-37, and Morris Juppenlatz, "Housing the People of the Philippines," (United Nations, 1966), paras. 11, 113-114.

[21]President Ferdinand E. Marcos, State of the Nation Message, Jan. 23, 1967, p. 51.

[22]Executive Order No. 135, June 10, 1968.

[23]See "A Suggested Outline for the Proposed PreCCHUD Program of Work" (no date, mimeo). This refers to PreCCHUD, Resolution No. 3, Oct. 29, 1968. Resolution No. 2, Oct. 29, approved as one of the broad objectives of the Committee, "3. To formulate and develop a housing and urban development policy."

[24]Executive Order No. 215, March 7, 1970.

[25]See NEC, Four-Year Development Plan FY 1971-74, p. 256, and Letter of NEC Chairman Gerardo Sicat to agencies concerned, dated Jan. 20, 197__, referring to Memorandum Circular No. 424. Also interview with Mr. Jacobo S. de Vera, Assistant General, PHHC, April 26, 1971; and PHHC file on GSIS, SSS, DBP, and HFC projects.

[26]Interview with Mr. J. S. de Vera, April 26, 1971. See also "PreCCHUD Decisions and Instructions" (no date, mimeo.).

[27]PHHC, "Excerpt from NEC...".

[28]For a more extended discussion, see Romeo B. Ocampo, "Technocrats and Planning: Sketch and Exploration," Philippine Journal of Public Administration, Vol. XV, No. 1 (Jan. 1971), pp. 35-36.

[29]For example, Sixto K. Roxas, "Discovering Economic Imperatives for National Growth," Philippine Studies, Vol. 15, No. 2 (April 1967), pp. 229-231. See also ibid., pp. 58-59.

[30]"FM Order Spurs New Housing Projects," Sunday Chronicle, June 4, 1967; "Housing Financing Hailed," Manila Times, May 30, 1967; "₱150-M for Massive Low-Cost Housing Program," Philippine News, June 27, 1967; and Gilberto Teodoro (SSS General Manager), "SSS to Go into Low-Cost Housing," PAENCOR, Vol. 4, No. 7, Oct. 1967, p. 2 & 14.

Roxas and landowner Jose M. Tuason Jr. organized the LHDC on February 20, 1968 with 20 other incorporators, including Philamlife, Insular Life, Bancom, Tuason Enterprises, Jesuit Fathers, A. Montinola Jr., Don Carlos Fernandez, the Escalers, prominent contractors, architects and engineers. (F. F. Cruz, "Red Tape Snags Housing Plans," PAENCOR, Vol. 15, No. 11 (Feb. 1969), p. 37.

[31]Sixto K. Roxas, "Organizing the Government for Economic Development Administration," A report to President Diosdado Macapagal, Manila, Feb. 29, 1964, pp. 97-98.

[32]"Explanatory Note," "An Act to Establish a Department of Housing and Urban Development and for Other Purposes," House Bill No. 17704, Sixth Congress, Third Session, (the "Note" is dated Feb. 28, 1968 - Dec. 4, 1969.)

[33]Special Committee, loc. cit., "Squatting and Slum-Dwelling in Metropolitan Manila," in Laquian, op. cit., p. 217.

[34]Ibid., pp. 231-6.

[35]See "Explanatory Note" to H. No. 17704.

[36]Bancom, "A National Housing Program," passim.

[37]"Explanatory Note," H. No. 2626, pp. 5-6, and text of bill.

[38]"CED Position Paper on the 1971 Housing Bill (Bancom Bill)," no date (typewritten). See "Private Sector Acts, Housing Scheme Set," Sunday Times, Feb. 21, 1971.

[39]"On Housing Bill, Insurance firms' stand," Manila Times, Feb. 26, 1971, and "Investment in housing bill hit by risk firms," Manila Times, Mar. 12, 1971. (For controversial provisions, see Secs. 57(a) and 69(c) of H. No. 2626). Also see Council for Economic Development, "Towards a CED Position on the Philippine Housing Problem," meeting held March 7, 1971.

[40]PHHC, "The Housing Problem and the Government Effort," (1971) pp. 13-15; PHHC, "Gist of Substantive Amendments Proposed by PHHC Management," (no date, mimeo), and PHHC, Unnumbered House bill with revisions proposed by PHHC.

In its "Gist" and revision proposal (Sec. 17), the PHHC proposed to exempt social housing and resettlement from the prohibition in the H.No. 2626 (Sec. 17) of direct building by the National Housing Ventures Corporation to be set up. In its 1971 report, the PHHC noted that Bancom had proposed an 80:20 allocation for economic and social housing (p. 14). In its "A National Housing Program," Bancom indeed allowed for some direct building of social housing.

[41]Special Committee, op. cit., p. 236. The PreCCHUD Sub-Committee on Research has observed: "In an urbanizing area, a house is a commodity. The prospective home owner no longer administers or controls its production. As a result of this situation, an individual can provide himself with a decent house by either renting or by property ownership." ("Research on the scope of housing,..." etc. Memorandum to the PreCCHUD Technical Committee, Jan. 29, 1969 (mimeo.), p. 2.

[42]"Explanatory Note", H. No. 2626, p. 6.

[43]See Manuel B. Salak, Jr., "5 per cent pay deduction OK'd by FM," Manila Times, Mar. 23, 1972, and "Unfavorable reaction to ill-timed scheme," editorial, Manila Times, Mar. 24, 1972; and "Public Furious Over Pay Deductions," Manila Chronicle, Mar. 25, 1972.

[44]Exec. Order No. 215, Mar. 7, 1970. Tens of thousands of squatter families have been relocated from the built up core to the suburbs of Manila. For this experience, see "Programs that Influence Migration in the Philippines," manuscript prepared (1972) by Romeo Ocampo as part of an INTERMET-sponsored research project.

[45]On general resettlement policy, see Ocampo, "Programs that Influence Migration," pp. 60-67. As suggested by PreCCHUD, the specific policy on urban land adopted by the 1971-74 Plan states that "There should be a simultaneous government effort to strengthen government control over private urban lands." (p. 197). Recently, there have been more radical proposals, including city ownership of urban land.

[46]See Paulynn P. Sicam, "Plea of Tondo Folk: Consult ZOTO!," Manila Chronicle, May 19, 1972.

[47]"Tondo residents oppose contract," Manila Times, June 23, 1972.

[48]"2,300 SSS Low-Cost Houses Constructed," Manila Chronicle, Jan. 3, 1972.

The preceding evaluation was based on NEC (Draft) "Socio-Economic Development Plan for FY 1966-67 to FY 1969-70," prepared May 1966, pp. 745-6; NEC, Four-Year Development Plan FY 1972-75, p. 219; PHHC, "The Philippine Housing Situation" (1967), p. 4; PHHC, "The Housing Problem and the Government Effort," pp. 3, 8-11; Economic Development Foundation, Inc., "Some Aspects of the Housing Situation in the Philippines," Technical Bulletin/3, June 1971 (mimeo.), Table 2, p. 3 & p. 6. Alfredo C. Reyes, "Construction Industry," The Economic Monitor, April 26, 1971, p. 8; PHHC, "PHHC At a Glance," (1971), p. 7; " LHDC on 3rd Year, develops new area," Manila Times, May 11, 1971; George Vernez, "₱200 M Housing Project on SSS in Montalban," Manila Chronicle, Feb. 26, 1971; GSIS Commercial & Industrial Loans Department, data supplied Oct. 12, 1971; Wilfredo E. Capulong, "₱616 M Worth, GSIS OKs 16 housing plans," Manila Times, Dec. 28, 1971; "New housing plan by GSIS," Manila Times, Feb. 26, 1971; "GSIS housing scheme okayed," Manila Times, March 11, 1971. GSIS Board of Directors, Minutes on Resolutions No. 194, Feb. 26, 1971

[49]See "A White Elephant? SSS millions support NHC," Manila Times, May 26, 1971; "NHC gets ₱65M wroth of business from GSIS," The Daily Mirror, May 16, 1972; and PHHC, "The Housing Problem," p. 9.

[50]Celso G. Cabrera, "Inside Malacañang...and PHHC," Manila Chronicle, Aug. 29, 1971.

[51]See, for example, Teodoro F. Valencia, "Over a Cup of Coffee," Manila Times, July 2, 1972; "GSIS in money mart," Manila Times, Dec. 18, 1971; "Medicare funds invested," Manila Times, July 20, 1972; George C. Vernez, "Hyatt Hotel May be Sold to GSIS by Present Owners," Manila Chronicle, July 18, 1972; and NEC, Development Plan, 1972-75, p. 94.

[52]Armand Fabella, Introduction to Economic Policy (Manila: Philippine Executive Academy, College of Public Administration, University of the Philippines, 1968, p. 111.

[53]See PHHC, "PHHC at a Glance," p. 5.

[54]Mary R. Hollnsteiner and Maria Angelina Esquivel, "Human Factors in Private, Low-Cost Housing," Philippine Sociological Review, Vol. 17, No. 1 (Jan. 1969), p. 12 & passim. See also Sixto K. Roxas, "Testimony on Low Cost Housing Before the Senate Committee on Housing, Urban Development and Resettlement," (1969, typewritten).

[55]Data derived from SSS files.

[56]GSIS Commercial and Industrial Loans Department, Data supplied Oct. 12, 1971.

[57]T. H. Marshall, Social Policy in the Twentieth Century (London: Hutchinson & Co., Ltd., 1970), pp. 174-75. On the normative relations between economic and social elements in planning, see J. Bronowski, "Two Concepts of Social Planning," I.S.S.I. Occasional Papers, The Hague, Institute of Social Studies, Address delivered on Oct. 10, 1969.

[58]PHHC, "The Housing Problem," p. 15.

Part VII

STATISTICAL APPENDICES

APPENDIX 1. COMPARISON OF GROWTH, UNEMPLOYMENT AND INDUSTRIAL DISTRIBUTION PATTERNS

	Average Annual Growth Rates[1] From CY 1946-1970 (In percent)					Targeted Annual Average Growth Rates, FY 1972-75 (1967 = 100)
	Precontrol Period 1946-1949	Control Period 1950-1961		Decontrol Period 1962-1968	1970 (1967 = 100)	
		1950 - 1955	1955 - 1961			
Current GNP	6.6	7.3	8.0	10.4		
Real GNP (1955 = 100)	12.8	7.9	4.9	5.7	6.4	6.9
Real Per Capita GNP (1955 = 100)	9.9	4.8	1.7	2.2	3.1	3.8
Population	2.3	3.1	3.1	3.4	3.1	3.1

	Industrial Distribution of Net Domestic Product at Constant 1955 Prices, CY 1946, 1955 & 1968 (In percent)					Targeted Average Industrial Distribution for FY 1972-75 (1967 = 100)
	1946	1955	1968	1970 (1967 = 100)	Unemployed[2] FY 1969	
Agriculture, Fishery & Forestry	45.3	34.8	31.3	33.1	2.6	32.7
Mining and Quarrying	—	1.4	1.9	2.0	6.1	3.0
Manufacturing	5.5	15.8	17.3	19.1	3.2	19.6
Construction	4.8	4.2	3.7	2.5	8.4	3.0
Transportation, Communication, Storage and Utilities	4.2	4.8	4.6	4.0	4.6	3.9
Commerce	12.8	15.2	14.7	15.6	3.6	15.3
Services:	27.4	23.8	26.5	23.7		22.3
Gov't, community, business and recreational services					3.6	
Domestic services					5.1	
Personal services other than domestic					2.3	
Industry not reported					13.3	

[1] OSCAS. NEC. The Statistical Reporter. Vol. XIII, No. 2, April-June 1969.

[2] Table 15.8 FY 1972-75 Plan, p. 211.

APPENDIX 2. GROWTH RATES BY SECTORS

Sector	YEAR							Targeted Growth Rates
	1902-1918	1918-1938	1938-1961	1902-1961	1952-1968	1970	1971	FY 1972-1975
Agriculture	5.1	0.5	2.2	2.4	5.0[a]	3.0	4.1	5.3
Manufacturing	4.1	4.7	4.9	4.6	7.1	6.5	5.1	9.0
Commerce	2.9	-0.1	3.4	2.0	5.7	–	–	5.3
Electric Power	9.3	6.4	10.0	8.6	–[b]	–	–	–[f]
Mining and Forestry	23.7	15.8	1.5	12.0	6.6[c]	18.5	13.4[f]	21.8[f]
Transportation and Communication	15.1	9.6	6.6	9.9	5.6[d]	–	–	5.8
Services	–	–	–	–	–	–	–	4.0
All Sectors	4.4	1.8	3.6	3.2	5.7[e]	–	–	–
All Sectors per capita	2.5	-0.3	1.0	1.0	2.4	–	–	–
Exports	5.1	2.2	1.7	2.8	4.2	–	15.8	10.1
Imports	–	–	–	–	–	(5.6)	(1.3)	–
Construction	–	–	–	–	–	–	–	13.5
All Others	–	–	–	–	–	6.5	2.9	–

[a] Includes Forestry and Fishing

[b] Included with Transportation and Communication

[c] Mining only

[d] Includes Electricity and other Utilities

[e] Includes Construction (5.2) and Services (4.8)

[f] Mining only

Sources: For 1902-1961 and sub-periods, R. W. Hooley, "Long-Term Growth of the Philippine Economy, 1902-1961," The Philippine Economic Journal, First Semester, 1968; cited as Table I in John H. Power and Gerardo P. Sicat, "Industrialization in the Philippines," Discussion Paper No. 70-11, April 24, 1970, p. 2. For 1952-1968, OSCAS, NEC; for 1970 & 1971, Table 2, FY 72-75 Plan; for target growth rates FY 72-75, Table 1.2, FY 72-75 Plan, p. 11.

APPENDIX 3. SOME LONG-TERM SPECIFIC PURPOSE STUDIES IN THE PHILIPPINES

1. Encarnacion, Jose, Jr. et al. An Econometric Model of the Philippines with Projections Through 1976. Part I of the project of the NEC and School of Economics, U.P., Manila, April 1972. Mimeographed.

2. Hicks, George L. Foreign Trade and the Growth of the Dual Economy: A Study of the Philippines, 1950-1966. Draft of the final report by G. L. Hicks and Geoffrey McNicoll. Washington, D.C.: National Planning Association, 1968.

3. Hooley, Richard W. Savings and Capital Formation, 1951-1959. School of Economics, University of the Philippines, Quezon City, 1963.

4. _____. Savings in the Philippine Economy, 1951-1960. Institute of Economic Development and Research, University of the Philippines, 1963.

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APPENDIX 4. FUNCTIONAL EXPENDITURES OF THE NATIONAL GOVERNMENT: AVERAGE FOR FY 1955-1960 and FY 1961-1970
(In millions of pesos and in percent)

	1955-1960 Ave.	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1961-1969 Ave.
I. Economic Development	320.8	495.7	420.0	652.0	636.6	646.1	556.7	748.8	923.4	1182.0	1221.0	696.8
II. Social Development	340.9	520.1	567.8	644.7	698.2	749.2	872.6	953.2	1046.0	1214.0	1361.0	807.3
III. National Defense	170.8	197.0	206.2	272.6	298.0	295.9	323.9	379.9	458.8	524.9	494.8	299.7
IV. General Government	96.7	129.9	165.0	188.4	242.7	248.1	319.9	319.9	355.7	405.5	422.2	286.1
V. Debt Services	67.3	67.0	109.1	98.8	157.1	101.9	154.3	129.2	159.5	283.9	174.7	134.5
Total	996.5	1409.6	1468.1	1851.5	2032.6	2041.2	2227.4	2530.9	2948.4	3610.3	3673.7	2369.5
					(In Percent)							
I. Economic Development	32.2	35.2	29.0	35.2	31.3	31.6	25.2	29.9	31.0	32.8	32.2	31.2
II. Social Development	34.3	36.8	38.0	34.8	34.4	36.8	39.1	37.6	35.0	33.7	37.1	36.0
III. National Defense	17.0	13.8	14.0	14.7	14.7	14.6	14.5	15.0	18.0	14.5	13.5	14.9
IV. General Government	9.7	9.2	11.0	10.2	11.9	12.1	14.3	12.5	11.0	11.2	11.5	11.5
V. Debt Services	6.7	5.0	8.0	5.1	7.7	4.9	6.9	5.0	5.0	7.8	4.7	6.1

Source of data: Statistics based on data drawn from the government budget documents and Presidential messages. Some will not equal 100% due to rounding.

*Table IV.4, Fernandez, The Budget Process, p. 148.

APPENDIX 5. ECONOMIC CLASSIFICATION OF NATIONAL GOVERNMENT EXPENDITURES FISCAL YEARS 1961 to 1970 (IN PERCENT)*

Year	Current Expend. on Goods & Services	Develop-ment Services	Subsidies	Current Transfers	Debt Interest	Gross Capital Formation	Capital Transfers	Direct Lending
1961[1]	61.5	—	2.2	8.3	2.1	17.7	5.2	2.7
1962	34.5	34.1	2.0	8.2	3.0	12.1	4.1	.2
1963	33.9	32.1	6.3	5.5	2.6	13.7	4.2	1.3
1964	36.5	33.5	4.9	4.9	2.9	9.3	6.4	1.3
1965	40.9	34.0	3.1	4.9	2.6	9.9	3.1	1.2
1966	38.7	36.3	1.0	7.0	3.0	8.0	3.7	2.3
1967	37.4	36.0	1.7	5.0	3.0	12.0	4.1	.6
1968	39.9	29.7	1.8	6.7	3.1	12.8	2.9	3.2
1969	39.2	29.6	4.7	3.1	2.9	11.3	5.0	4.0
1970 (Estimated)	37.0	32.1	4.5	2.8	2.0	14.9	2.7	3.9
Average (Excluding 1970)	40.2	33.1	3.1	5.9	2.8	12.0	4.3	1.8

[1]For 1961 no distinction as yet between current expenditures on goods and services and developmental services.

Source: Philippine Budget Documents.

*Table IV.6, Fernandez, The Budget Process, p. 153.

APPENDIX 6. DISTRIBUTION OF EXPENDITURES OF LOCAL GOVERNMENTS BY MAJOR FUNCTIONS (IN MILLIONS OF PESOS AND IN PERCENT) FOR FY 1955-1960 AND FY 1961-68*

	Average Expenditures for FY 1955-1960 in percent[1]	Average Expenditures for FY 1961-1968 in percent[2]
I. Economic Development	28.9	32.7
Provincial	39.2	41.9
City	23.2	25.4
Municipal	29.1	28.9
II. Social Development	28.1	33.8
Provincial	28.1	22.0
City	38.6	46.7
Municipal	7.2	27.3
III. General Government	38.4	31.9
Provincial	28.4	30.1
City	33.8	26.1
Municipal	59.4	42.4
IV. Debt Services	4.5	1.6
Provincial	4.2	1.2
City	4.3	1.9
Municipal	4.2	1.5
TOTAL	100.0	100.0

[1] Amelia Abello, passim.

[2] Computed from data drawn from the Auditor's Report on Local Governments, op. cit., for FY 1961-68.

*Table LV.8, Fernandez, The Budget Process, p. 159.

APPENDIX 7. SOCIAL WELFARE PROGRAMS FOR FY 1970-71 AND FOUR-YEAR PROGRAM TARGETS*

SERVICES	FY 1970 - 71		TARGET NUMBER OF CASES TO BE SERVED			
	No. of Cases Served	Target No. of Cases	FY 1971-72	FY 1972-73	FY 1973-74	FY 1974-75
I. Integrated Community Welfare Program						
1. Grassroots—Council Organization Services	44,079	30,000	88,000	132,000	176,000	220,000
2. Family Planning Services and Population Education	—	—	(174,000[1]	(350,000[1]	(520,000[1]	(690,000[1]
	—	—	(50,000[2]	(100,000[2]	(150,000[2]	(200,000[2]
3. Social Development of Out-of-School Youth and Preschool Children	15,726	8,060	30,000	45,000	60,000	75,000
4. Comprehensive Socio-economic Advancement Program (Self-help Opportunity Services: "Mini-Agri-Business" Services, and Sheltered Employment for Youth and Disabled Adults with Special Needs)	—	—	(62,000[3]	(73,000[3]	(124,000[3]	(180,000[3]
	—	—	(40,000[2]	(60,000[2]	(80,000[2]	(120,000[2]
	—	—	(3,000[4]	(7,000[4]	(14,000[4]	(21,000[4]
II. Other Services						
1. Aid to Families in Economic Distress (Financial grant with casework services for multi-problem families)	745	—	1,400	2,100	2,800	3,500
2. General Assistance	26,641	—	52,000	78,000	94,000	130,000
3. Home Aide Service	2,320	—	4,000	6,000	8,000	10,000

[1] Couples

[2] Youths

[3] Families

[4] Individuals who are either disabled or with special needs.

*Table 20.1, FY 1972-75 Plan, p. 239.

SERVICES	FY 1970-71		TARGET NUMBER OF CASES TO BE SERVED			
	No. of Cases Served	Target No. of Cases	FY 1971-72	FY 1972-73	FY 1973-74	FY 1974-75
4. Protection, Care and Placement Services of Children and Youth	6,796	—	12,000	18,000	24,000	30,000
5. Services to Students, Children and Youth with Special Problems	1,064	—	2,000	3,000	4,000	5,000
6. Services to Delinquent Minors	2,859	—	4,000	6,000	8,000	10,000
7. Rehabilitation Services for Special Groups and Disabled	944	—	1,800	2,700	3,600	4,500
8. Substitute Home Placement for Adults with Special Needs	899	—	1,600	2,400	3,200	4,000
9. Disaster Relief	1,050,761	—	(All low-income victims needing assistance)			
10. Services to Cultural Minorities	19,586	—	38,000	57,000	76,000	95,000
11. Central Luzon Development Program	50,052	—	1000,000	150,000	200,000	—
12. Services to Squatter Families	5,715	—	10,000	15,000	20,000	25,000
III. Training, Research and Special Projects						
1. In-service training	790[7]	20[5]	40[5]	50[5]	60[5]	70[5]
	21[5]	—	—	---	--- -	—
2. Special Training of DSW Staff	50[7]	—	—	—	—	—
3. Foreign Training	67[7]	—	—	—	—	—
4. Student Training	745[7]	—	—	—	—	—
5. Research Projects	20[6]	12[6]	20[6]	20[6]	20[6]	20[6]
6. Special Projects	10[6]	10[6]	10[6]	20[6]	20[6]	20[6]
7. CITRUS Projects	10[6]	10[6]	20[6]	20[6]	20[6]	20[6]

[5] Seminars

[6] Projects

[7] Participants

APPENDIX 8. DEVELOPMENT PLAN FY 1971-74 COMPARED TO DEVELOPMENT PLAN FY 1972-75[1]

Item[2]		1971[3]	1972	1973	1974	1975	Annual Average Growth Rate (Percent)
GNP	A	33,042	35,190	37,653	40,290	43,110	6.9
	B	30,485	32,162	34,092	36,308		5.5
NDP	A	27,112	28,739	30,607	32,596	34,715	6.4
	B	25,605	27,039	28,618	30,553		5.7
Agriculture	A	9,058	9,572	10,106	10,106	10,610	5.3
	B	9,109	9,602	10,161	10,719		6.1
Mining	A	582	681	838	1,034	1,276	21.8
	B	714	886	947	1,137		18.0
Manufacturing	A	5,144	5,467	6,000	6,600	7,250	9.0
	B	4,113	4,301	4,691	5,127		6.2
Others	A	12,320	13,019	13,663	14,856	15,579	6.0
	B	11,669	12,250	12,889	13,570		4.4
Investment	A	6,678	7,995	8,680	9,445	10,271	11.4
	B	6,456	6,815	7,228	7,697		4.7
Public	A	455	808	980	1,306	1,711	31.2
	B	938	1,020	1,338	1,348		15.2
(Million U.S. dollars) Exports	A	1,118.0	1,335.4	1,462.9	1,610.2	1,777.2	10.1
	B	995	1,065	1,175	1,287		8.5
(Million U.S. dollars) Imports	A	1,099.5	1,370	1,520	1,690	1,870	10.8
	B	1,095	1,157	1,215	1,275		4.0

[1] In million pesos at constant 1967 prices.

[2] A: Development Plan FY 1972-75
B: Development Plan FY 1971-74

[3] Estimates, not targets in the case of Dev. Plan FY 1972-75

*Table 4. FY 1972-1975 Plan, p. 11.

APPENDIX 9. NET DOMESTIC PRODUCT BY INDUSTRIAL ORIGIN*
(In million pesos at constant 1967 prices)

	Estimate			Targets			Annual Ave. Growth Rate FY 1972-75	Gen. Average Growth Rate[1] Targeted for FY 1967-70
	FY 1970	FY 1971	FY 1972	FY 1973	FY 1974	FY 1975		
Gross National Product	31,320	33,042	35,190	37,653	40,290	43,110		
Growth Rate (%)	6.4	5.5	6.5	7.0	7.0	7.0	6.9	6.2
Population as of January 1 (In Millions)	36,624	37,760	38,931	40,138	41,383	42,660		
Growth Rate (%)	3.1	3.1	3.1	3.1	3.1	3.1	3.1	
Per Capita GNP (In Pesos)	855	875	904	938	974	1,010		
Growth Rate (%)	3.1	2.3	3.14	3.19	3.19	3.19	3.8	
Net Domestic Product	26,053	27,112	28,739	30,607	32,596	34,715		
Growth Rate (%)	5.1	4.1	6.0	6.5	6.5	6.5	6.4	
Agriculture	8,662	9,058	9,572	10,106	10,610	11,125		
Growth Rate (%)	3.0	4.6	5.7	5.5	5.0	5.0	5.3	4.0
Per Cent share to NDP	33.2	33.4	33.3	33.0	32.6	32.0		

* Table 1.2

[1] Four-Year Economic Program for the Philippines FY 1967-70. p. 11.

Appendix 9 (continued)

	Estimate			Targets			Annual Ave. Growth Rate FY 1972-75	Gen. Average Growth Rate[1] Targeted for FY 1967-70
	FY 1970	FY 1971	FY 1972	FY 1973	FY 1974	FY 1975		
Mining	513	582	681	838	1,034	1,276		
Growth Rate (%)	18.5	13.4	17.0	23.0	23.5	23.5	21.8	
Per Cent share to NDP	2.0	2.1	2.4	2.7	3.2	3.7		
Manufacturing	4,893	5,144	5,467	6,000	6,600	7,250		[2]
Growth Rate (%)	4.7	5.1	6.3	9.7	10.0	10.0	9.0	8.4
Per Cent share to NDP	18.8	19.0	19.0	19.6	19.6	20.2	20.9	
Construction	839	634	824	890	961	1,038		
Growth Rate (%)	13.4	(24.4)	30.0	8.0	8.0	8.0	13.5	
Per Cent share to NDP	3.2	2.3	3.0	3.0	3.0	3.0		
Transportation	999	1,062	1,114	1,183	1,253	1,327		
Growth Rate (%)	1.8	6.3	5.0	6.0	6.0	6.0	5.8	5.8
Per Cent share to NDP	3.8	3.9	3.9	3.9	3.8	3.8		
Commerce	3,981	4,255	4,434	4,676	4,949	5,233		
Growth Rate	8.9	6.9	4.2	5.5	5.8	5.7	5.3	5.8
Per Cent share to NDP	15.3	15.7	15.4	15.3	15.2	15.1		
Services	6,166	6,377	6,647	6,914	7,189	7,466		
Growth Rate (%)	4.9	3.4	4.0	4.0	4.0	4.0	4.0	5.3
Per Cent share to NDP	23.7	23.5	23.1	22.6	22.1	21.5		

[2]Manufacturing and Manufacturing combined.

APPENDIX 10. COMPARISON OF PLANNED AND ACTUAL TARGETS
(In million pesos at 1967 prices)

(a) Gross National Product, Consumption and Investment, FY 1970-71

	(1) Planned FY 1970	(2) Actual FY 1970	Actual As Percent of Planned Targets*(2)/(1)	(3) Planned FY 1971	(4) Actual FY 1971	Actual As Per Cent of Planned Targets* (4)/(3)
1. Gross National Product	29,172	31,320	107.4	30,485	33,042	108.4
	5.0	6.4		4.5	5.5	
2. Consumption	24,056	27,045	112.4	24,741	28,015	113.2
	3.9	4.8		2.8	3.6	
a. Public	2,880	3,038	105.5	2,725	2,835	104.0
	8.0	6.8		(5.4)	(6.7)	
B. Private	21,176	24,007	113.4	22,016	25,180	114.4
	3.4	4.5		4.0	4.9	
3. Gross Domestic Investment.	6,120	7,041	115.0	6,456	6,678	103.4
	(3.2)	11.9		5.5	(5.2)	
	857	682	79.6	938	455	48.5
a. Public	35.4	13.1		9.5	(33.3)	
b. Private	5,263	6,359	120.8	5,518	6,223	112.8
	(7.5)	11.7		4.8	(2.1)	

* This means that the actual accomplishments are evaluated in relation to the planned targets. 100 means that actual performance exactly matches targets; less than 100 implies under-attainment and greater than 100, over-attainment.

N.B. Numbers indicated below the absolute values are growth rates.

Appendix 10 (continued)

(b) Net Domestic Product by Sectoral Origin, FY 1970-71*

	(1) Planned FY 1970	(2) Actual FY 1970	Actual As Per Cent of Planned Targets*(2)/(1)	(3) Planned FY 1971	(4) Actual FY 1971	Actual As Per Cent of Planned Targets* (4)/(3)
Net Domestic Product	24,526	26,053	106.2	25,605	27,112	105.9
	4.4	5.1		4.4	4.1	
Agriculture	8,466	8,662	102.3	9,109	9,058	99.4
	6.9	3.0		7.6	4.6	
Mining	592	513	86.6	714	582	81.5
	43.0	18.5		20.6	13.4	
Manufacturing	4,035	4,893	121.3	4,113	5,144	125.1
	.4	6.5		1.9	5.1	
Others	11,433	11,985	104.8	11,669	12,320	105.6
	5.2	6.5		2.1	2.9	

*This means that the actual accomplishments are evaluated in relation to the planned targets. 100 means that actual performance exactly matched targets; less than 100 implies under-attainment and greater than 100, over-attainment.

N.B. Numbers indicated below the absolute values are growth rates.

(c) Foreign Trade, FY 1970-71 (In million U.S. dollars)

	(1) Planned FY 1970	(2) Actual FY 1970	Actual As Percent of Planned Targets (2)/(1)	(3) Planned FY 1971	(4) Actual FY 1971	Actual As Per Cent of Planned Targets (4)/(3)
Exports	935	932	99.7	995	1,118.0	112.4
	10.5	10.1		6.4	15.8	
Imports	1,095	1,104.0	100.8	1,095	1,099.5	100.4
	(6.3)	(5.6)		0.0	(1.3)	

Sources: (a) Table 1, FY Plan 72-75, p. 4. (b) Table 2, Ibid., p. 6. (c) Ibid.

APPENDIX 11. NATIONAL GOVERNMENT FISCAL OPERATIONS*
(All funds combined, in million pesos and at current prices)

	Estimate FY 1971	FY 1972	Projected FY 1973	Projected FY 1974	FY 1975	Average Annual Growth(%) FY72-FY75
A. Current Outlay						
1. Current Expenditures on Goods and Services	2,677	2,933	3,115	3,311	3,505	7.0
2. Subsidiaries	15	10	14	15	16	
3. Current Transfer	432	442	472	504	535	
4. Debt Service and Interest	348	426	331	364	396	
Total Current Outlay	3,472	3,811	3,932	4,194	4,452	6.4
B. Receipts						
1. Revenue from Taxation	3,460	3,814	4,229	4,728	5,319	11.4
2. Earnings and Other Credits	451	456	486	537	600	
3. Others	20	21	49	68	95	
Total Receipts	3,931	4,291	4,764	5,333	6,014	11.2
C. Current Surplus (Deficit) B-A	459	480	832	1,139	1,562	
D. Capital Outlay						
1. Gross Capital Formation	376	479	546	627	751	18.9
2. Capital Transfer	149	197	205	220	233	
3. Direct Lendings	86	87	104	111	118	
Total Capital Outlay	611	763	855	958	1,102	15.9
Less: Current Surplus	459	480	832	1,139	1,562	
E. Gross Financial Gap	152	283	23	(181)	(460)	
Total Outlay	4,083	4,574	4,787	5,152	5,554	8.02

*Table 6.1 FY 1972-1975 Plan, p. 86.

APPENDIX 12. DIRECT AND INDIRECT TAXES BY TYPE* (FOR SELECTED YEARS)
(At current prices in million pesos and in percent)

Type of Tax	1946	%	1950	%	1955	%	1960	%	1965	%	1967	%	1970**	%
A. Direct Taxes	18	9.04	77	16.6	149	17.7	256	20.3	501	23.4	557	21.3	997	24.0
1. Income tax on business	12	66.6	58	75.3	120	80.5	200	78.1	269	53.7	279	50.1	479	48.04
2. Income tax on individuals, etc. (other than business)[1]	2	11.1	8	10.4	16	10.7	24	9.4	112	22.3	135	24.2	301	30.2
3. Residence Tax	2	11.1	4	5.2	4	2.7	7	2.7	9	1.8	13	2.3	16	1.6
4. Other direct taxes[2]	2	11.1	7	9.1	9	6.0	25	9.8	111	22.1	130	23.3	201	20.2
B. Indirect Taxes	181	90.9	385	83.3	690	82.2	1005	79.7	1637	76.6	2053	78.6	3160	76.0
1. Taxes on busines)							302	30.0	558	34.1	709	34.5	1085	34.3
2. Taxes on occupations and miscellaneous licenses[3])	52	28.7	144	37.4	178	25.8								
3. Excise tax on domestic products)							5	.5	10	.6	14	.7	19	.6
4. Excise tax on imports)	55	30.4	145	37.7	239	34.6	164	16.3	305	18.6	386	18.8	483	15.3
5. Import duties	10	5.5	26	6.7	152	22.0	72	7.2	19	1.1	5	.2	6	.2
6. Real property tax	15	8.3	33	8.6	47	6.8	244	24.3	368	22.5	510	24.8	661	20.9
7. Other indirect taxes[4]	49	27.0	37	9.6	74	10.7	60	6.0	94	5.7	100	4.9	136	4.3
8. Stabilization tax	-	-	-	-	-	-	158	15.7	283	17.3	329	16.0	373	11.8
							-	-	-	-	-	-	397	12.6
TOTAL DIRECT AND INDIRECT TAXES	199		462		839		1261		2138		2610		4157	

[1]Includes fines and penalties and miscellaneous charges in connection with income tax.

[2]Includes immigration tax, estate, gift and inheritance tax, and marriage license fees.

[3]Includes fines and penalties charged in relation to license and business taxes.

[4]Includes excise tax on exports, foreign exchange and all other excise taxes plus fines and penalties, documentary stamp tax, charges on forest products franchise tax, wharfage and other fees and charges.

*From Table 9. OSCAS, NEC. The Statistical Reporter. Vol. XIII, No. 2, April-June 1969, pp. 52-53.

**From Table 9. OSCAS, NEC. The Statistical Reporter. Vol. XIII, No. 2, April-June 1971, p. 23.

APPENDIX 13. COMBINED CAPITAL RECONCILIATION ACCOUNT*
(At current prices in million pesos and in percent)

ITEM								
1. Gross domestic capital formation	5,031		5,923		6,341		8,182	
a. Fixed capital formation	4,586	91.1	5,482	92.5	5,824	91.8	7,470	91.3
b. Increase in stocks	445	8.8	441	7.4	517	8.1	712	8.7
Gross Domestic Capital Formation	5,031		5,923		6,341		8,182	
2. Personal savings	2,829	56.2	2,371	40.0	1,567	24.7	1,841	22.5
3. Corporate savings	709	14.1	777	13.1	727	.1	1,662	20.3
4. General Government saving (dissaving) (Balancing figure)	170	3.4	349	5.9	333	.1	518	6.3
5. Capital consumption allowance	1,939	38.5	2,289	38.6	2,615	41.8	4,016	49.1
6. Net borrowing (lending) from abroad	(616)	(12.2)	137	2.3	1,099	17.3	145	1.8
Gross Savings	5,031		5,923		6,341		8,182	

*From Table 9. OSCAS, NEC. The Statistical Reporter, Vol. XIII, No. 2, April-June 1969, p. 15.

**From Table IV. OSCAS. NEC. The Statistical Reporter, Vol. XV, No. 2, April-June, 1971, p. 12.

APPENDIX 14. MACROECONOMIC MODEL OF THE PHILIPPINES*

The model consists of a structural equations and 3 identities, estimated by ordinary least squares using recently revised official data for 1950-1969:

Structural equations (Numbers underneath regression coefficients represent values of the t-statistic.)

(1) $Y = -2443.5 + \underset{(4.18)}{.9590\ N} + \underset{(4.39)}{.1994\ K}$

$\bar{R}^2 = .991 \quad D.W. = .713$

(2) $N = 4112.8 + \underset{(16.62)}{.5877\ Y} + \underset{(2.29)}{13.11\ P} - \underset{(-4.46)}{2.561\ W}$

$\bar{R}^2 = .990 \quad D.W. = 1.369$

(3) $P = 85.370 - \underset{(-7.71)}{.0043\ Y} + \underset{(18.22)}{.0423\ Z}$

$\bar{R}^2 = .993 \quad D.W. = 1.828$

(4) $M = 2811.3 + \underset{(2.28)}{.0885\ (Y-X)} + \underset{(2.04)}{.4431\ X} +$

$\underset{(2.87)}{7.2435\ P_x} + \underset{(2.88)}{2074.91\ P\ P_m}$

$\bar{R}^2 = .935 \quad D.W. = 1.988$

(5) $I = 251.24 + \underset{(9.09)}{.1680\ Y} + \underset{(2.94)}{.3281\ M} +$

$\underset{(2.47)}{8.864\ P} - \underset{(-3.51)}{1.095\ W}$

$\bar{R}^2 = .987 \quad D.W. = 2.215$

(6) $T^* = -72.627 + .0923\ Y^* + .0824\ M^*$
(10.74) (2.20)

$\bar{R}^2 = .996$ D.W. = 1.160

(7) $C_p = 1902.8 + .8895\ (Y-T) - 27.59\ p +$
(25.08) (-5.21)

$1.087\ W$
(2.31)

$\bar{R}^2 = .996$ D.W. = 1.694

(8) $C_g = -80.116 + .9391\ T$
(33.45)

$\bar{R}^2 = .983$ D.W. = 1.170

Identities

(9) $C \equiv C_p + C_g$

(10) $K \equiv K_{-1} + I_{-1}$

(11) $A \equiv Y - I - C + M - X$

Endogenous variables

Y = GNP at 1955 prices; in million pesos

N = average of the May and October employment survey figures; in thousands

P = implicit price index for GNP; P = 100 for 1955

M = imports of goods and services at 1955 prices; in million pesos

I = gross domestic investment at 1955 prices; in million pesos

C_p = private consumption expenditures at 1955 prices; in million pesos

T = direct and indirect taxes, divided by .01P; in million pesos

C_g = government consumption expenditures at 1955 prices; in million pesos

C = Total consumption

K = capital stock at 1955 prices at beginning of year; in million pesos ($K_{1950} = 2.58\ Y_{1950}$)

A = net factor income from abroad at 1955 prices; in million pesos

Exogenous variables

W = annual money wage rate, computed as equal to the daily wage rate of unskilled industrial workers in Manila multiplied by 250; in pesos

Z = average of end-of-month money supply (currency plus demand deposits) lagged three months; in million pesos

X = exports of goods and services at 1955 prices; in million pesos

P_x = export price index; P_x - 100 for 1955

P_m = export price index; P_m - 100 for 1955

Notational definitions

$X^* = .01\ P_x\ X$ (the current value of exports)

$M^* = .01\ P_m\ M$

$T^* = .01\ PT$

$Y^* = .01\ PY$

Equation (1) represents an aggregative production relation with capital and labor inputs determining the level of real output. The marginal productivity of labor is ₱59 per year at 1955 prices, which seems reasonable considering that the wage rate in 1969 was ₱1,220 at 1955 values.

Equation (2) may be considered a labor demand function, the level of employment determined not only by real output but also by the money wage rate and the general price level. Other things remaining the same, employment will be reduced by about 256 thousand workers if the annual wage rate is increased by ₱100. But since output decreases with employment by equation (1), the fall in employment will be greater.

The price equation (3) provides a good explanation of the general price level in terms of money supply (lagged three months) and real output. It implies that a ₱1 million increase in the money supply will have no effect on the general price level provided there is a concomitant increase in real output of about ₱9.8 million (= .0423/.0043).

The import equation (4) may be considered at least in part as a decision function on the part of the national authorities, in particular the Central Bank. Imports are determined by real income, current export earnings, and the ratio of the general price level to import prices. The higher is the general price level, the higher is the level of imports because these become relatively cheaper, conversely, higher import prices lead to lower imports. The marginal propensity to import indicated is .10, which seems credible. That X and P_X are explanatory variables should not be surprising, since the monetary authorities are likely to be more liberal in permitting imports when foreign exchange earnings are high than when they are low.

Since investment is undertaken for the output it would produce, its profitability depends positively on the price level and negatively on the money wage rate. This is reflected in equation (5), which makes investment a function of P and W. The volume of imports is another determinant of investment, since machinery and capital equipment are mostly imported. The major determinant is real income, and the estimated marginal propensity to invest is .16.

The tax-yield equation (6) includes imports as an explanatory variable, since a large proportion of indirect taxes is collected through customs. In recent years, the ratio of customs collections on imports to total taxes has averaged about 19 per cent. Current values of the variables are used for obvious reasons.

The consumption function (7) is quite interesting. It gives a marginal propensity to consume of .89, which seems credible, and it takes account of the effects of money wage and price level changes. One may expect that an increase in the money wage increases consumption, considering that wage-earners are supposed to have higher propensities to consume compared to rentiers. Also, a rise in the price level reduces consumption, for, if disposable income and the money wage are held fixed, an increase in prices can only reduce the level of consumption.

The remaining equations appear to require no comment. It may be noted, though, that the variable A, net factor income from abroad, is a residual item and plays no real role in the model.

The model is consistent in that there are just enough equations to determine the values of the endogenous variables. There are no two ways of determining real output, unlike "two-gap" models where the difference between domestic investment and saving, $I - (Y - C)$, is in general not equal to the net inflow of foreign capital, $M - X - A$. In the present model, these two are always equal because of the way A is determined. One disadvantage here, of course, is that prediction of A are likely to be poor; but this would seem to be a minor disadvantage. The more important point is that the model does not take into account possible constraints on the net inflow of foreign capital: it implicitly assumes that the necessary inflow is always forthcoming.

On the whole, the estimated equations show a high degree of statistical reliability. The coefficient of determination is uniformly high and the t-values imply significance of the parameters at the 5 per cent level. The values of the Durbin-Watson statistic appear to indicate some serial correlation but it must be remembered that this statistic was designed for regression equations where the explanatory variables are all exogenous.

The predictive power of the model has been tested both within and outside the observation period. Given the actual values of the exogenous variables for 1955-1969, the model generates time-paths of the endogenous variables converging to the actual time-paths, which implies that no systematic error is present in the model. The model's "projections" for 1970 also compare favorably with the actual values of the endogenous variables. In particular, the sudden increase in the general price level in 1970 is captured, indicating that the model is capable of foreseeing abrupt changes in the endogenous variables.

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*Appendix A of FY 1972-1975 Plan, pp. 51-55.

The standard error of estimate of the aggregate production function is ₱329 million (in 1955 prices); this is approximately 1.58 per cent of the projected real GNP figure for 1971. For one to have confidence in the 1972-1975 projections to an equal degree, the allowance to be given would have to be somewhat larger than plus or minus 1.5 per cent.

The standard error of estimate of the price equation is 1.84 index points (1955 = 100); this is about 0.8 per cent of the projected price index level for 1971. While efforts at stabilizing prices are principally part and parcel of development planning, the Plan is confident that price increases will not exceed increments of 5 1/2 per cent in 1972 to 8 per cent by 1975. These are tolerable limits beyond which the economy is not willing to proceed. An allowance may be made in the expected inflation rate to the extent of plus one percentage point to allow for chance factors.

The standard error of estimate of the employment equation is 168 thousand persons; this is 1.3 per cent of the projected level of employment in 1971.

APPENDIX 15. MONEY SUPPLY AND ITS ORIGIN,[1] 1940-1941; 1945-1970 (Million Pesos)

End of Period	Money Supply (1)	International Reserve (2)	Domestic Credits (3)	Non-Money Supply Deposits (4)	Miscellaneous Accounts (Net Balance) (5)
1946	940.0	885.1	348.6	250.2	58.8
1947	1,015.0	907.0	558.0	315.6	64.7
1948	1,194.0	840.2	689.5	302.2	60.6
1949	1,035.6	520.2	807.7	369.6	28.7
1950	1,229.4	711.8	891.3	445.5	19.5
1951	1,160.7	607.7	1,105.8	582.7	61.3
1952	1,198.4	611.8	1,132.9	530.4	22.6
1953	1,224.6	592.0	1,228.0	573.5	33.5
1954	1,227.0	545.4	1,326.1	530.9	86.0
1955	1,337.3	418.4	1,729.3	712.6	31.4
1956	1,500.8	449.4	2,038.3	860.8	31.9
1957	1,600.0	280.1	2,460.7	885.2	168.0
1958	1,740.1	290.6	2,718.5	998.7	260.8
1959	1,845.3	325.8	3,121.4	1,203.4	393.9
1960	1,895.8	472.3	3,275.2	1,366.0	538.3
1961	2,219.3	292.0	4,449.9	1,881.9	640.7
1962	2,504.7	418.3	4,955.8	2,347.5	521.8
1963	2,954.3	421.7	6,115.4	2,754.4	828.4
1964	2,873.8	324.8	6,855.1	2,930.1	1,376.0
1965	3,066.9	776.4	7,418.2	3,181.3	1,946.4
1966	3,371.3	916.4	8,326.5	3,750.2	2,121.4
1967	3,782.5	1,015.6	10,093.1	4,705.1	2,621.1
1968	3,981.9	887.6	11,160.7	5,328.3	2,738.1
1969	4,075.74	787.35	11,789.37	5,378.63	3,122.35
1970	4,618.0	991.55	13,198.66	5,890.15	3,682.05

[1] Beginning 1949, data were revised to consider only the treasury cash holdings, the Central Bank and the Commercial Banking System Operations as the origin of money supply.

Source: Table 1, Central Bank Statistical Bulletin, Vol. XXII, December, 1970, p. 27.

APPENDIX 16. INDEX OF THE PHYSICAL VOLUME OF PRODUCTION, 1949-1970 (1955 = 100)

Period	Agriculture (1)	Mining (2)	Manufacturing (3)
1949	59.8	47.5	46.9
1950	64.4	61.1	56.6
1951	73.8	76.2	66.4
1952	79.4	98.7	69.9
1953	85.2	98.3	79.0
1954	94.0	92.0	88.8
1955	100.0	100.0	100.0
1956	106.1	110.8	115.7
1957	110.2	123.7	125.0
1958	110.9	122.5	134.6
1959	117.5	132.4	145.8
1960	120.8	126.7	150.5
1961	120.6	134.3	160.5
1962	129.8	136.6	169.7
1963	134.8	138.6	180.5
1964	136.5	140.4	195.5
1965	140.4	151.8	200.9[p]
1966	152.1	166.2	218.6
1967[r]	154.1	180.6	226.6
1968[r]	172.2	207.7	247.7
1969	172.1	233.4	256.3
1970[p]	178.4	272.2	254.8[a]

[a]January to September.

[1]Crop year (July 1 - June 30).

Source: Table 98, Central Bank Statistical Bulletin, Vol. XXII, December, 1970, p. 279.

APPENDIX 17. EMPLOYMENT INDEX OF REPORTING NON-AGRICULTURAL ESTABLISHMENTS BY INDUSTRY DIVISION, 1949-1970
(1955 = 100)

	All Items (1)	Mining and Quarrying (2)	Manufacturing (3)	Construction (4)	Electricity, Gas & Heat, Water & Sanitary Services (5)	Commerce (6)	Transport and communication (7)	Services			
								Total (8)	Recreation (9)	Personal (10)	Government 2 (11)
1949	89.3	89.1	86.2	251.1	90.3	97.9	111.4	179.6	101.7	136.2	76.3
1950	88.9	107.0	84.4	175.1	93.9	91.5	99.6	81.4	100.7	134.4	78.4
1951	90.1	127.6	85.3	110.3	88.7	88.6	94.9	85.3	94.9	138.2	82.8
1952	92.6	133.7	85.4	127.9	85.2	93.1	98.0	88.9	85.6	122.5	87.7
1953	96.2	123.5	94.0	116.8	86.3	91.7	99.6	93.0	89.0	123.5	92.0
1954	97.0	95.1	99.6	138.9	85.1	95.1	100.1	98.0	96.1	115.0	92.0
1955	100.00	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1956	105.0	99.6	100.5	114.9	119.7	106.8	106.5	110.7	105.5	97.0	111.4
1957	111.0	94.6	106.2	135.8	125.1	119.1	112.1	117.0	109.8	101.5	117.8
1958	112.9	88.0	106.5	151.1	132.6	122.3	116.2	121.1	107.5	110.3	121.8
1959	116.6	84.4	111.6	157.5	135.9	121.2	115.5	129.3	106.9	118.5	130.7
1960	119.5	83.4	115.3	167.4	139.3	119.7	123.4	131.4	106.1	118.0	133.0
1961	122.5	81.0	117.0	177.3	137.6	119.8	135.0	136.3	105.9	118.1	138.3
1962	125.8	76.5	118.8	161.2	138.3	125.8	143.8	142.6	105.1	121.7	145.0
1963	129.2	77.4	121.3	161.5	137.5	131.1	143.4	149.8	103.8	123.7	152.8
1964	132.4	77.6	123.3	165.2	139.4	135.9	143.5	156.7	103.1	125.3	160.3
1965	136.8	83.6	127.0	173.7	155.2	145.0	141.2	160.6	103.1	132.0	164.3
1966	136.6	85.3	127.2	185.3	163.5	137.9	141.5	161.0	102.4	144.1	164.4
1967	135.8	84.7	125.6	191.4	157.8	141.3	139.6	159.9	101.1	138.7	163.3
1968	139.8	85.4	130.6	199.9	165.7	141.8	146.6	163.0	101.5	141.8	166.6

Source: Table 125, Central Bank Statistical Bulletin, Vol. XXII, December, 1970, p. 335.

APPENDIX 18. INTERNATIONAL RESERVE, 1949-1970
(Million U.S. Dollars)

END OF PERIOD	International Reserve of the Central Bank	Net Foreign Exchange Holdings of Com'l Banks	TOTAL
1949	230.70	29.39	260.09
1950	295.61	60.30	355.91
1951	244.42	59.45	303.87
1952	236.06	69.82	305.88
1953	240.38	55.60	295.98
1954	207.49	65.20	272.69
1955	154.91	54.30	209.21
1956	161.01	63.68	224.69
1957	70.86	69.17	140.03
1958	91.60	53.70	145.30
1959	89.99	72.91	162.90
1960	120.05	72.01	192.06
1961	44.07	59.27	103.34
1962	75.00	65.84	140.84
1963	109.46	38.00	147.46
1964	123.28	(84.84)	38.44
1965	188.50	(96.88)	91.62
1966	166.09	(14.77)	151.32
1967	179.77	41.71	221.48
1968	161.40	33.67	195.07
1969	120.66	5.24	125.90
1970	250.96	(31.92)	219.04

Source: Central Bank of the Philippines 22nd Annual Report, 1970, p. 63.

APPENDIX 19. CONSUMER PRICE INDEX FOR THE PHILIPPINES, 1957-1970
(1957 = 100)

Period	All Items (1)	Food (2)	Clothing (3)	Rent and Repairs (4)	Fuel, Light & Water (5)	Miscellaneous (6)
1957	100.0	100.0	100.0	100.0	100.0	100.0
1958	102.5	104.3	102.6	100.3	101.9	100.2
1959	100.6	98.6	106.9	100.6	103.2	101.7
1960	105.6	106.0	112.8	101.4	103.7	104.0
1961	110.3	113.8	114.5	102.2	106.0	105.8
1962	113.6	116.6	121.4	103.2	108.8	109.4
1963	122.6	132.5	125.3	104.8	111.2	111.6
1964	133.5	151.2	129.6	105.7	116.9	114.5
1965	137.6	156.3	136.1	107.1	121.7	117.0
1966	144.5	167.0	142.1	109.0	123.0	120.0
1967	153.0	180.9	150.3	111.1	123.1	122.7
1968	154.1	179.9	155.7	114.3	123.1	125.7
1969	156.7	181.0	160.2	115.3	124.2	130.4
1970	180.7	207.3	187.0	120.9	144.8	154.2

Source: Table 124, Central Bank Statistical Bulletin, Vol. XXII, December, 1970, p. 332.

APPENDIX 20
PERCENTAGE SHARES OF ORDINAL GROUPS OF INCOME UNITS

Countries and Year	Shares of Ordinal Groups					Per Capita GNP (latest year, 1966) (U.S.$)
	Bottom 20%	Bottom 60%	Top 20%	Top 10%	Top 5%	
Underdeveloped countries						
India, 1953-54 to 1956-57	8.0	36.0	42.0	28.0	20.0	90
Ceylon, 1952-53	5.1	27.7	53.9	40.6	31.0	150
Mexico, 1957	4.4	21.2	61.4	46.7	37.0	470
Barbados, 1951-52	3.6	27.1	51.6	34.2	22.3	400
Puerto Rico, 1953	5.6	30.3	50.8	32.9	23.4	1,090
Developed countries						
United Kingdom, 1951-52	5.4	33.3	44.5	30.2	20.9	1,620
West Germany, 1950	4.0	29.0	48.0	34.0	23.6	1,200
The Netherlands, 1950	4.2	29.5	49.0	35.0	24.6	1,420
Denmark, 1952	3.4	29.5	47.0	30.7	20.1	1,830
Sweden, 1948	3.2	29.1	46.6	30.3	20.1	2,270
United States, 1950	4.8	32.0	45.7	30.3	20.4	3,520
Italy, 1948	6.1	31.2	48.5	34.1	24.1	1,030
Philippines						
1956-57	4.5	25.0	55.0	39.4	27.7	
1961	4.2	24.2	56.4	41.0	29.0	
1965	3.5	24.3	55.4	40.0	28.7	
1960 (JLETC)						
Before taxes	4.2	24.2[a]	56.0[a]	42.2		
After taxes	4.6	24.6[a]	55.3[a]	40.3		

[a]Read off from a Lorenz curve.

Source: Table 12.1 of Sicat, Economic Policy and Philippine Development, p. 286.